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Transcript Exhibit(s)

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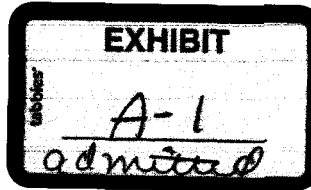
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES



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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
COTTONWOOD WATER WORKS, INC. FOR
APPROVAL OF THE TRANSFER OF ASSETS
AND FOR CANCELLATION OF THE
CERTIFICATE OF CONVENIENCE AND
NECESSITY

DOCKET NO. WR
APPLICATION

Cottonwood Water Works, Inc. ("CWW" or "Company") submits this application to the Arizona Corporation Commission ("Commission") for approval of the transfer of assets to the City of Cottonwood ("Cottonwood" or "City") and the Town of Clarkdale ("Clarkdale" or "Town"), and to cancel its Certificate of Convenience and Necessity ("Certificate" or "CC&N").

In support of this Application, CWW states as follows:

I.

CWW is an Arizona corporation and a public service corporation that provides water service to approximately 4,700 customers in Yavapai County, Arizona, pursuant to authority granted by the Commission. CWW's service territory includes Cottonwood, the Town of Clarkdale and the adjacent portions of Yavapai County.

II.

Cottonwood is a municipal corporation and is not subject to the jurisdiction of the Commission and therefore does not need a CC&N to provide service. Cottonwood is duly authorized by the laws of the State of Arizona, and by virtue of an election held on March 13, 2001 to construct, purchase, acquire or lease any plant or property devoted to the business or

1 services rendered by a public water utility, either within or without the corporate limits of the
2 City, as set forth in A.R.S., section 9-511.

3 III.

4 Cottonwood Municipal Property Corporation ("Cottonwood MPC") is a non-profit
5 corporation organized and existing under Arizona law, which was lawfully formed to assist
6 Cottonwood in acquiring and financing public infrastructure and improvements, including, but
7 not limited to, financing the costs of the acquisition of the privately owned water utility systems
8 that serve residents of the City of Cottonwood.

9 IV.

10 Clarkdale is duly authorized by the State of Arizona, and by virtue of an election held on
11 March 14, 2000, to construct, purchase, acquire or lease any plant or property devoted to the
12 business or services rendered by a public water utility within the limits of the Town, as set forth
13 in ARS. section 9-511.

14 V.

15 On August 2, 2005, CWW, Cottonwood, Cottonwood MPC and Clarkdale executed an
16 Asset Purchase Agreement ("Agreement") whereby Cottonwood and Clarkdale, through
17 Cottonwood MPC, will acquire the assets of CWW (the "CWW Acquisition"). A copy of the
18 Agreement is attached as Exhibit A.

19 VI.

20 The CWW Acquisition is structured so that Cottonwood MPC will acquire ownership of
21 CWW assets, which include real property, equipment and inventory ("Business Assets").
22 Cottonwood, pursuant to a Series 2005 City Purchase Agreement will then simultaneously
23 acquire the Business Assets.

VII.

Cottonwood and Clarkdale have entered into an Intergovernmental Agreement, under which pertinent portions of the Business Assets necessary to comprise a water system for the Town will be transferred to Clarkdale.

VIII.

At a properly noticed meeting, the Mayor and City Council for Cottonwood approved the CWW Acquisition. A copy of Cottonwood's Municipal Resolution No. 2134 is attached as Exhibit B, and is incorporated herein by reference.

IX.

At a properly noticed meeting, the Mayor and Town Council for Clarkdale approved the CWW Acquisition. A copy of Clarkdale's Town Resolution No. 1154 is attached as Exhibit C, and is incorporated herein by reference.

X.

The City Council of Cottonwood and the Town of Council of Clarkdale have determined that it is in the best interests of the citizens of their respective communities for this water system to be municipally owned and operated so that the residents, through their elected representatives, will have more direct control over this essential resource.

XI.

The CWW Acquisition will benefit the public because the City and Town will expeditiously and effectively move to reduce the level of arsenic in their water supplies to levels deemed safe by the U.S. Environmental Protection Agency ("EPA").

XII.

The CWW Acquisition will benefit the public because the City and Town will enhance fire safety by increasing fire flows and adding booster pumps to certain parts of the system that currently lack adequate fire flows to effectively support fire suppression efforts that may someday be necessary to safeguard the lives and property of the residents of the communities.

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XIII.

The CWW Acquisition will benefit the public because the City and Town may institute incentives for water conservation through the rates and charges assessed for water.

XIV.

Pursuant to the terms of the Agreement, any obligations that CWW may have under all outstanding main extension agreements will be assumed by the City and Town and honored as written.

XV.

Pursuant to the terms of the Agreement, CWW is responsible for refunding all customer deposits. CWW will refund the remaining balance for the customers' deposits as a credit to each customer's water bill.

XVI.

All communications regarding this Application should be addressed to the following:

For CWW:

Deborah R. Scott
Jeffrey W. Crocket
Snell & Wilmer L.L.P.
One Arizona Center
Phoenix, AZ 85004
drscott@swlaw.com
jcrockett@swlaw.com
602-382-6571
602-382-6381

Charles Garrison
Cottonwood Water Works, Inc.
1042 Main Street
Cottonwood, AZ 86526
cww@sedona.net
928-634-5559

For City of Cottonwood:

Steven B. Horton, Esq.
Mangum, Wall, Stoops & Warden, P.L.L.C.
100 North Elden
P.O. Box 10
Flagstaff, AZ 86002
shorton@mwswwlaw.com
928-779-6951

Robert B. Hardy
City of Cottonwood
827 North Main Street
Cottonwood, AZ 86326
rhardy@ci.cottonwood.az.us
520-634-5526

XVII.

As a result of the CWW Acquisition, CWW will no longer have any facilities or customers to serve. Therefore, CWW's request to cancel its CC&N is reasonable.

XVIII.

To be in compliance with the new EPA arsenic standard, it will take several months for Cottonwood and Clarkdale to complete the necessary testing and treatment once the sale is consummated. In addition, while current interest rates for the financing of the transaction are favorable, there are indications of an upward trend. For these reasons an expeditious resolution is vital and CWW, Cottonwood and Clarkdale respectfully request that the Commission process this matter without a hearing and in an expedited manner.

CONCLUSION

The CWW Acquisition is reasonable and in the public interest. The customers of CWW will benefit as a result of the transaction in that they will be part of a larger municipal water system that has an enhanced ability to fund increasing infrastructure needs driven by technology changes and increasingly rigorous water quality and other regulations. For all the above reasons, CWW respectfully requests that the Commission expeditiously process this matter without a hearing and issue an order approving the sale of CWW assets and canceling CWW's CC&N.

Respectfully submitted this 9th day of August, 2005.

SNELL & WILMER L.L.P.

Deborah R. Scott

Jeffery W. Crockett

One Arizona Center

400 East Van Buren

Phoenix, Arizona 85004-2202

Attorneys for Cottonwood Water Works, Inc.

1 **ORIGINAL and 13 copies of the foregoing**
2 **filed this 9th day of August 2005, with:**

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, AZ 85007

7 A COPY of the foregoing was hand-delivered
8 this 9th day of August 2005, to:

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Hearing Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Christopher C. Kempley, Chief Counsel
16 Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Ernest G. Johnson, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 
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A

ASSET PURCHASE AGREEMENT
BETWEEN THE
CITY OF COTTONWOOD MUNICIPAL PROPERTY CORPORATION,
THE CITY OF COTTONWOOD, THE TOWN OF CLARKDALE
AND THE
COTTONWOOD WATER WORKS, INC.
FOR THE PURCHASE AND SALE
OF THE BUSINESS ASSETS OF COTTONWOOD WATER WORKS

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is entered into this 2nd day of August, 2005, by and between COTTONWOOD WATER WORKS, INC., an Arizona corporation, ("Seller"), the CITY OF COTTONWOOD MUNICIPAL PROPERTY CORPORATION, a non-profit corporation organized and existing under the laws of the State of Arizona ("Buyer"), the CITY OF COTTONWOOD ("City"), an Arizona Municipal Corporation, and the TOWN OF CLARKDALE ("Town"), an Arizona Municipal Corporation.

RECITALS

WHEREAS, Seller is the owner of a water works plant and distribution system and domestic water utility known as COTTONWOOD WATER WORKS, situated in part in the City; in part in the Town; and in part in a nearby unincorporated portion of Yavapai County, Arizona; and

WHEREAS, Seller is the holder of franchises from the City and Certificates of Convenience and Necessity issued by the Arizona Corporation Commission, which franchises and certificates authorize Seller to engage as a public service corporation in the sale of water for commercial and domestic uses in the area covered by such franchises and certificates; and

WHEREAS, the City desires to own and operate a unified water utility system within and without its City limits and the Town desires to own and operate a water utility system within its Town limits so that each can provide its residents with direct control over the rates, quality, water resources management, and other policies and practices relating to the provision of water utility service to its residents; and

WHEREAS, the City of Cottonwood is duly authorized by the laws of the State of Arizona, and by virtue of an election duly held on March 13, 2001, to construct, purchase, acquire or lease any plant or property or portion thereof devoted to the business or services rendered by a public water utility either within or without the corporate limits of the City as set forth in the Arizona

Revised Statutes, Title 9, Chapter 5, Article 2, Section 9-511; and

WHEREAS, the Town of Clarkdale is duly authorized by the laws of the State of Arizona, and by virtue of an election duly held on March 14, 2000, to construct, purchase, acquire or lease any plant or property or portion thereof devoted to the business or services rendered by a public water utility within the limits of the Town as set forth in the Arizona Revised Statutes, Title 9, Chapter 5, Article 2, Section 9-511; and

WHEREAS, Buyer is a non-profit corporation organized and existing under the laws of the State of Arizona which was lawfully formed to assist the City of Cottonwood in acquiring and financing public infrastructure and improvements including but not limited to financing the costs of acquisition of privately owned water utility systems which serve residents of the City of Cottonwood in furtherance of the aforesaid goals and objectives of the City of Cottonwood; and

WHEREAS, Buyer desires to and will acquire ownership of the Business Assets, as such term is hereinafter defined, within and without the city limits of the City of Cottonwood and the town limits of the Town of Clarkdale, it being found hereby (i) that it is necessary to acquire all of the Business Assets owned by Seller as Seller has indicated that none of the Business Assets may be acquired unless all of them are; and (ii) that condemnation of the Business Assets is not in the best interests of either the City or the Town; and

WHEREAS, both the City Council and the Town Council have determined that it is in the best interests of the citizens of their respective communities for this water system to be publicly owned and operated, so that the people, through their elected representatives, may have more direct control over this essential resource; so that both communities can expediently and effectively move to reduce the level of arsenic - a known carcinogen - in their water supplies to levels deemed safe by U.S. Environmental Protection Agency; so that the communities can enhance fire safety by increasing fire flows and adding booster pumps to certain parts of the system which currently lack adequate fire flows to effectively support fire suppression efforts which may someday be necessary to safeguard the lives and property of the residents of the communities; and so that the communities may institute incentives for water conservation through the rates and charges assessed for water; and

WHEREAS, although water rates and charges for system users in both communities will, of necessity, increase substantially over what those users now pay for water in order to accomplish these important objectives, the new rates and charges for water users in both communities will still be no greater than - and in many instances less than - than the rates many other municipal water customers throughout the state pay for their water, and further, those rates include a charge, which the Seller did not and could not assess, that will

allow each community to create a pool of funds which will be dedicated to the development of future water resources for these two fast growing Arizona communities; and

WHEREAS, the Business Assets, as to be subsequently improved, are then to be simultaneously acquired by the City pursuant to a Series 2005 City Purchase Agreement (the "*Series 2005 City Purchase Agreement*") by and between the Buyer and the City, by which the City will agree to purchase the Business Assets and certain improvements thereto from the Buyer; and

WHEREAS, the acquisition of the Business Assets and such improvements will be financed through the execution and delivery of certain obligations (the "*Obligations*") evidencing interests in the Series 2005 City Purchase Agreement; and

WHEREAS, it is hereby determined to be necessary and desirable for the Town to acquire title to or interests in such portion of the Business Assets and such improvements necessary to comprise a water system for the Town, including to serve a portion of the area within the Town and related improvements which need to be made thereto, but however that it is economically unfeasible for the Town to acquire such plant, property and improvements on a commercially reasonable basis; and

WHEREAS, pursuant to Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended, the City and the Town may enter into an Intergovernmental Utilities Purchase Agreement (the "*Intergovernmental Utilities Purchase Agreement*"), as an "intergovernmental agreement" with one another to jointly exercise powers common to them; and

WHEREAS, pursuant to Section 9-407(B), Arizona Revised Statutes, as amended, it is hereby determined to be proper, necessary and desirable for the City to sell certain parcels of the real property acquired pursuant to the Series 2005 City Purchase Agreement upon and under which portions of the Business Assets as to be improved are to be transferred to the Town of Clarkdale pursuant to the Intergovernmental Utilities Purchase Agreement and that the acquisition of such portions of the Business Assets pursuant to the Series 2005 City of Cottonwood Purchase Agreement as part of the acquisition of the Business Assets and the simultaneous sale of such portions thereof to the Town of Clarkdale pursuant to the Intergovernmental Utilities Purchase Agreement will accomplish the public purposes of the City of Cottonwood pursuant to the Intergovernmental Utilities Purchase Agreement as the Business Assets must be acquired in whole and immediately and it is uneconomical for the Town of Clarkdale to acquire the portions being sold to it under any other circumstances than those to be provided in the Intergovernmental Utilities Purchase Agreement; and

WHEREAS, as required by such statute, a notice of intent to sell certain property as hereinafter described will be published four consecutive times in The Verde Independent, a daily newspaper published in Yavapai County; and

WHEREAS, pursuant to the Intergovernmental Utilities Purchase Agreement, the Town will agree to purchase such portion of the Business Assets and improvements to comprise a water system for the Town from the City simultaneously with the acquisition thereof by Buyer pursuant to this Agreement and by the City of Cottonwood pursuant to the Series 2005 City Purchase Agreement, the City of Cottonwood being required to agree pursuant to the Intergovernmental Utilities Purchase Agreement to finance the acquisition of such portion of the Business Assets on behalf of the Town of Clarkdale because such portion of the Business Assets is part of the Business Assets, all which must be acquired pursuant to this Agreement, and to finance improvements thereto on behalf of the Town of Clarkdale because such improvements are necessary for such sale to proceed; and

WHEREAS, the Town will pay, and the City will receive, full consideration necessary to pay the costs incurred by the City pursuant to the Intergovernmental Utilities Purchase Agreement, and the Intergovernmental Utilities Purchase Agreement will effect an essential public purpose required by the City to accomplish the purposes of the Series 2005 City of Cottonwood Purchase Agreement; and

WHEREAS, the parties have conducted discussions and negotiations for the sale of the Business Assets to Buyer in recognition of Buyer's interest in assisting the City of Cottonwood in its desire to provide public water utility service to its residents; and

WHEREAS, the parties have voluntarily bargained and negotiated in good faith to determine the price, terms and conditions of such a sale, which is to be consummated through Buyer's exercise of its borrowing power; and

WHEREAS, Seller is desirous of selling the Business Assets, but excluding certain assets and enumerated liabilities, to Buyer under the price, terms and conditions set forth herein; and

WHEREAS, the Board of Directors of the City of Cottonwood Municipal Property Corporation and City Council have by Resolution No. 2072, authorized the execution of this Agreement, to which Resolution this Agreement is an exhibit; and

WHEREAS, the Mayor and Council of the City of Cottonwood have by Resolution No. 2134 approved the execution and delivery of this Agreement, to which Resolution this Agreement shall be an exhibit; and

WHEREAS, the Mayor and Council of the Town of Clarkdale have by Resolution No. 1154 approved the execution and delivery of this Agreement, to which Resolution this Agreement shall be an exhibit.

AGREEMENT

NOW THEREFORE, IN CONSIDERATION of the foregoing Recitals, and the mutual promises, covenants and agreements hereinafter contained, and each act of the parties hereto, the parties agree as follows:

Section 1. Definitions.

In addition to the definitions provided within the Recitals, and unless the context clearly indicates the contrary, the following capitalized words used in the Recitals and below shall have the following meaning:

Accounts Receivable: Any right for the payment to Seller for services or goods provided or rendered, whether or not evidenced by an instrument or chattel paper, arising out of or in any way related to the Business prior to Closing. Accounts Receivable includes amounts payable for service provided on or before the Closing Date whether or not an invoice has been submitted to the customer.

Aid in Construction Agreements: Those line extension agreements and meter installation advances between Seller and third parties, as set forth on Exhibit "A" attached hereto.

Agreement: This Asset Purchase Agreement for the purchase and sale of the Business Assets.

Assignments: Those certain documents to be given by Seller to Buyer conveying all of its interest in the Contract Rights and any and all franchise rights and certificates which are transferable.

Bill of Sale: That certain document to be given by Seller to Buyer conveying all of its interest in and to the Equipment, Inventory and Records.

Business: That certain business known as Cottonwood Water Works currently owned by Seller and engaged as a public service corporation in the sale of water for domestic, commercial and other uses in its Certificated Area pursuant to its Certificate of Convenience and Necessity issued by the Arizona Corporation Commission (ACC), and other related services in connection therewith.

Business Assets or Assets: Collectively, the Real Property, all Improvements, Equipment, Inventory, Accounts Receivable, Contract Rights

(including but not limited to all of Seller's right, title and interest in a certain Water Trust Fund Trust Account administered by Northern Trust Bank of Arizona, as more particularly described in the Water Trust Fund Agreement dated as of June 1998, and the additional agreements referenced therein) and Records owned and used by Seller in connection with the Business and to be purchased by Buyer pursuant hereto.

Buyer: CITY OF COTTONWOOD MUNICIPAL PROPERTY CORPORATION, a non-profit corporation organized and existing under the laws of the State of Arizona.

Buyer's Address: c/o City Manager, City of Cottonwood, 827 N. Main Street, Cottonwood, Arizona 86326.

Certificates of Convenience and Necessity: All certain Certificates of Convenience and Necessity issued by the Arizona Corporation Commission in the Decisions listed in Exhibit "B", authorizing Seller to engage as a public service corporation in the sale of water for domestic, commercial and other uses in its Certificated Area.

Certificated Area: The areas set forth in Exhibit "C" in which Seller is permitted to conduct its Business.

Closing; Closing Date; Date of Closing: That point in time when (a) all of Seller's obligations and Buyer's obligations hereunder have been fulfilled; (b) the Escrow Agent has received all funds, is prepared to disburse the same in accordance with this Agreement and has recorded all of the Transfer Instruments; and (c) the Escrow Agent has disbursed all of the sale's proceeds as required by this Agreement.

Contract Rights: Any and all rights to withdraw funds from a certain Trust Account established and administered by the Northern Trust Bank of Arizona, N.A. (or any successor Trustee) for the development of new water resources to serve customers in the Seller's Certificated Area; or to have services or goods provided to the Business under contract by third persons in effect as of Closing.

Creditors: Any and all persons or entities to whom Seller owes money, goods or services.

Equipment: Tangible personal property, whether affixed or not to the Real Property used in the operation of the water distribution system, which is listed in Exhibit "D".

Escrow Agent: Yavapai Title Company
716 S. Main Street

Cottonwood, AZ 86326

Improvements: Wells, pumps, tanks, water lines and distribution systems, and any other similar property owned by Seller and used in connection with the water production and distribution system.

Inventory: Goods which are held by Seller for the treatment of water or otherwise used or consumed in connection with the Business, in the ordinary course of operating its Business.

Non-Terminated Aid in Construction Agreements: Those Aid in Construction Agreements which have not been released through conclusion by Seller on or before Closing.

New Connection(s): A revenue-producing connection into the water utility system requiring a new water meter to be installed. A New Connection is considered to have occurred only upon the actual physical installation of a new meter at a revenue producing new connection into the water utility system. Notwithstanding the foregoing, multi-unit customers (e.g. apartment complexes and mobile home parks) shall be deemed to have the number of new connections equal to the greater of (i) the number of installed water meters or (ii) the number of units, except that no growth premium payments shall be owed or made under Section 3.1.2 of this Agreement on account of the installation of new, additional, or individual meters at any multi-unit location such as an apartment complex or mobile home park receiving water service as of June 30, 2005.

Permitted Encumbrances: Those matters of record set forth on Schedule B of the preliminary title report on the Real Property and such other matters approved in writing by Buyer.

Property or Real Property: All well sites, easements, licenses and other real property interests located in the City of Cottonwood, the Town of Clarkdale, and in certain unincorporated areas located in Yavapai County, Arizona, legally described in Exhibit "E" attached hereto, including all Improvements, fixtures (including wells, pumps, tanks, and water lines) and any other rights and appurtenances pertaining thereto which are used by Seller in the Business.

Purchase Price: The sum of ELEVEN MILLION SEVEN HUNDRED AND TEN THOUSAND, SIX HUNDRED AND EIGHTY SEVEN DOLLARS (\$11,710,687.00) plus the Growth Premium described in Section 3 of this Agreement, which is the total purchase price for the Business Assets.

Records: All of Seller's service agreements, service and repair records, water treatment records, hydrology and assured water supply studies and

reports, Department of Water Resources filings and correspondence, customer data base information (including master file information, billing histories, and complaints), meter reading information, and other related documents arising out of or in any way relating to the Business Assets.

Seller: COTTONWOOD WATER WORKS, INC., an Arizona corporation, d/b/a COTTONWOOD WATER WORKS.

Seller's Address: Attn: Charles Garrison, 1042 N. Main Street, Cottonwood, AZ 86326

Title Insurer: Yavapai Title Company
716 S. Main Street
Cottonwood, AZ 86326

Transfer Instruments: Those instruments customarily required for the transfer of the Assets, including, but not limited to:

- (i) Special Warranty Deed(s) to the Property;
- (ii) Affidavit(s) of Value;
- (iii) Foreign Investment in Real Property Tax Act Affidavit(s);
- (iv) Bill(s) of Sale to all personal property;
- (v) Assignments, including without limitation those relating to Seller's Water Rights;
- (vi) Any and all Arizona Corporation Commission and Arizona Department of Water Resources consents, approvals, or transfer documentation necessary to transfer the Assets to the Buyer; and
- (vii) Any other and additional written assurances or other documents reasonably required in connection with the consummation of this transaction and the issuance and sale of revenue obligations, the proceeds of which will finance the Buyer's acquisition of the Assets under this Agreement.

Section 2. Conveyance of Business Assets.

Subject to the conditions and limitations set forth herein, Seller hereby agrees to sell and Buyer hereby agrees to purchase the Business Assets. Seller agrees to provide Buyer with good and marketable title to the Business Assets, and, at Closing to convey such title with a warranty by Seller that the Business Assets are not subject to any security interests, liens or encumbrances except

Permitted Encumbrances. Except as otherwise specifically provided herein, the Business Assets are being conveyed "as is."

2.1 Equipment, Inventory, and Records. The Equipment, Inventory and Records shall be conveyed at Closing by the execution and delivery by Seller of the Bill of Sale.

2.2 Contract Rights. To the extent that any person shall be required to consent to the transfer of Contract Rights (including but not limited to Seller's rights in the Water Trust Fund Account more particularly described elsewhere in this Agreement), then Seller shall obtain that consent in writing as a condition of Closing.

2.3 Real Property. Conveyance of the Property shall be by special warranty deed, subject only to Permitted Encumbrances.

2.3.1 Title Insurance. As soon as practicable, Seller shall cause Escrow Agent to deliver to Buyer, City, Town and Seller a current preliminary title report on the Property disclosing all matters of record ("Title Report"), together with legible copies of all instruments of record referred to therein. The Title Report shall include a commitment from the Title Insurer to issue to Buyer, the City of Cottonwood, and the Town of Clarkdale at Closing an ALTA standard coverage owner's policy of title insurance in the amount of \$753,000.00 (Seven Hundred and Fifty Three Thousand Dollars) ("Title Policy") in form and content acceptable to Buyer, City and Town. The cost of the standard owner's policy shall be paid 50% by the Seller and 50% collectively by the Buyer, City and Town. All costs for extended title coverage shall be paid collectively by the Buyer, City and Town.

2.3.2 Title Review.

(a) Buyer, City and Town shall have fifteen (15) days from the date of delivery of the Title Report and copies of all instruments of record referred to therein (the "Title Review Period") to approve or disapprove of the condition of the title shown in the Title Report, and to approve or disapprove of the form and content of the Title Policy. If Buyer, City or Town fails to give written notice of such approval or disapproval to Seller and Escrow Agent within the Title Review Period, then Buyer, City or Town shall be deemed to have approved the status of title to the Property and to have forever waived this condition.

(b) Notwithstanding anything herein to the contrary, if at any time after the issuance of the original Title Report, Escrow Agent or Title

Insurer issues any new or amended preliminary title reports or title documents, Buyer, City and Town shall have fifteen (15) additional days from the date of delivery thereof within which to notify Escrow Agent and Seller in writing of Buyer's, City's or Town's disapproval of any additional title exceptions, defects or other matters shown therein, and the Title Review Period shall be automatically extended by an equal period of time. If Buyer, City or Town fails to give notice of objection to any matter set forth in any new or amended preliminary title reports or title documents within the fifteen (15) day period, then Buyer, City or Town shall be conclusively deemed to have approved such matters and to have forever waived this condition.

(c) If Buyer, City or Town timely gives notice specifying in reasonable detail its objection to any matters contained in the Title Report or any new or amended report, Seller may elect to attempt to cure such matters to Buyer's, City's, and Town's reasonable satisfaction. Seller must then provide Buyer, City and Town notice of its intent to cure or not to cure within five (5) days of receiving the objection. If Seller does not cure such matters within fifteen (15) days of receiving such notice, then Buyer, City or Town may waive such objections and proceed with the Closing, accepting title to the Property subject to all such matters, or terminate this Agreement by giving notice to Seller and Escrow Agent of the failure of this condition within five (5) days after the end of Seller's fifteen (15) day period. If Buyer, City or Town fails to give such notice of termination to Seller and Escrow Agent within such five (5) days, and provided that Seller has complied with its obligation to notify Buyer of its intent to cure or not to cure any matters to which Buyer, City or Town have taken exception, then Buyer, City or Town shall be conclusively deemed to have forever waived this condition and any such objections and to proceed with the Closing, accepting title to the Property subject to all matters. Nothing in this Agreement shall be deemed to create any obligation on the part of Seller to cure any matter objected to by Buyer, City or Town.

2.3.3 Condition of Title. Seller shall preserve title to the Property and at the time of closing shall deliver the Property in as good condition with respect to title as of the date of the Title Report, except to remove an objectionable item.

2.4 Limitations. The purchase of the Assets pursuant hereto shall not constitute a purchase of Seller by Buyer nor render Buyer a successor in interest to Seller, except with respect to Seller's right, title and interest in the Water Trust Fund Account more particularly described elsewhere in this

Agreement. This Agreement is limited to the purchase and sale of the Business Assets (which assets include Seller's rights in the Water Trust Fund Account), and Buyer, except as otherwise provided herein, is not assuming any liabilities of Seller with respect to the Assets or the Business which may exist at any time prior to their transfer hereunder.

Section 3. Purchase Price.

3.1 Total Purchase Price. Buyer agrees to pay Seller as the total Purchase Price for Seller's interest in the Business Assets, the sum of ELEVEN MILLION SEVEN HUNDRED AND TEN THOUSAND, SIX HUNDRED AND EIGHTY SEVEN DOLLARS (\$11,710,687.00), plus a Growth Premium, payable as follows:

3.1.1 Cash at Closing. Buyer shall deposit the sum of ELEVEN MILLION SEVEN HUNDRED AND TEN THOUSAND, SIX HUNDRED AND EIGHTY SEVEN DOLLARS (\$11,710,687.00), in cash or other certified funds, at Closing (subject to adjustment as set forth herein).

3.1.2 Growth Premium. In addition to the amount paid as Cash at Closing under Section 3.1.1, City and Town agree to pay to Seller a premium of One Thousand Five Hundred Dollars (\$1,500.00) per New Connection made from within Seller's Certificated Area from July 1, 2005, through the seventh anniversary of the Closing Date, as apportioned between them (the "Growth Premium"), provided, however, that this section shall not be construed to create a duty on the part of either the City or Town to make Growth Premium payments due from the other. Seller acknowledges that the City has acquired and may further acquire other water utilities to form a unified water utility system and that Seller shall have no right to any form of premium or other payment for New Connections made by the City outside of the Certificated Areas transferred under this Agreement. Growth Premium payments due on account of New Connections established during the seven year period beginning on the Closing Date shall be made to Seller, or its assigns, by the City or the Town, as applicable, within thirty (30) days following the calendar quarter in which the New Connection was made; while Growth Premium payments due on account of New Connections established between July 1, 2005, and the Closing Date shall be paid at closing, as set forth in Section 3.1.4 below.

On the tenth (10th) day of each calendar quarter following the

Closing Date and until the final Growth Premium payment is made, the City and Town shall provide Seller with the City's and Town's then current customer list within the Certificated Areas. Upon receipt of such lists, Seller may, upon two (2) business days' prior written notice, audit the books and records of the City, Town or both, to the extent they are applicable to the number of New Connections to be included in the Growth Premium and the payment by the City or Town of the Growth Premium. Seller's costs of such audit shall be borne by Seller unless the results of the audit determine that the prior Growth Premium payments by the City or Town are \$10,000.00 or more below the amount of the Growth Premium that should have been paid to Seller over the course of the four quarters immediately preceding the audit, in which case the costs of the audit shall be paid by the City and Town in proportion to the percentage of the underpayment each entity is responsible for causing. In any event, the City or Town, as applicable, shall immediately pay Seller any and all unpaid amounts discovered by the audit plus interest at the rate of eight percent (8%) per annum on the amount of such underpayments. If the City or Town disputes the results of any such audit, the parties will use reasonable efforts to negotiate a prompt resolution to such dispute.

Notwithstanding any other provision in this Agreement, Seller specifically acknowledges and agrees that growth premium payments allocable to the City or the Town shall be considered the sole and separate obligations of each, and there shall be no recourse of any kind or nature whatsoever against either one for growth premium payments due from the other.

3.1.3 Assumption of Obligations. In addition to any and all amounts paid to Seller pursuant to Sections 3.1.1 and 3.1.2, Buyer, City and Town agree to assume the obligations of Seller under all Non-Terminated Aid in Construction Agreements as set forth in Exhibit A hereto from and after the Closing Date. The obligations of Seller under such agreements accruing between July 1, 2005, and the Closing Date shall also be assumed by Buyers; however, these amounts shall be credited to Buyers at closing under Section 3.1.4.

3.1.4 Purchase Price Adjustment. The Purchase Price shall be adjusted as of the Closing Date as follows:

(A) The Purchase Price shall be increased by

- (i) the amount of any Accounts Receivable due as of the actual date of closing, discounted by an agreed upon allowance for doubtful accounts;
- (ii) the amount of those capital expenses incurred between January 27, 2005 and June 30, 2005, as specifically set forth in Exhibit F hereto;
- (iii) the amount of any capital expenditures made between June 30, 2005 and the Closing Date, but only if 1) such expenses are or were reasonably necessary to operate or maintain the system; and 2) the Company provides or has provided written notice to Buyer of such expenses by the tenth day of the month following the month in which such expenses were incurred;
- (iv) Growth Premium payments in the amount of \$1500.00 for each New Connection established from July 1, 2005, through 11:59 P.M. on the day before the Closing Date.

(B) The Purchase Price shall be decreased by

- (i) the amount of any trade payables assumed by Buyer, City and Town;
- (ii) An amount equal to the prorated amount of Seller's obligations to third parties under outstanding Advance in Aid of Construction Agreements between July 1, 2005 and the Closing Date; and
- (iii) an amount equal to the funds advanced to Seller by third parties under Advance in Aid of Construction Agreements up to the Closing Date but not yet expended for the specific purposes contemplated by those Agreements, in which case the Buyers shall assume the obligations contemplated by those Agreements.

3.1.5 Closing Date Calculations. The Seller shall calculate the Purchase Price adjustment pursuant to Section 3.1.4 and deliver such calculations (the "Closing Date Calculations") to Buyer ten (10) business days before the Closing Date. Seller may provide updated calculations if Closing is delayed. A good faith estimate of the Closing Date Calculations shall be provided to Buyer forty-five (45) days before the Closing

Date. The Closing Date Calculations shall state in reasonable detail the nature and extent of every such item contained therein. Buyer, City and Town and their respective representatives shall have the right to review such determinations. If Buyer, City or Town disagrees with the Closing Date Calculations, Buyer, City or Town shall give written notice of the objection to Seller, specifying in reasonable detail the nature and extent of such objection. Buyer, City, Town and Seller shall promptly attempt to resolve such objection and, if necessary, the Closing shall be delayed pending resolution of the objection. If the parties are unable to resolve the objection, Seller, Buyer, City or Town shall have the right to terminate this contract in full by providing written notice to each of the other parties and to the Escrow Agent.

Section 4. Regulatory Contingency.

4.1 Contingencies. Buyer's obligations under this Agreement are contingent upon Seller obtaining the approval of the Arizona Corporation Commission for the sale of Seller's Business Assets, and the written consent of the Director of the Arizona Department of Water Resources to the assignment of all of Seller's right, title and interest in the Water Trust Fund Account more particularly described elsewhere in this Agreement to the City and Town. Closing under this Agreement shall not occur until all approvals as are legally required have been obtained and placed in Escrow. Seller shall bear all costs associated with complying with these requirements. Buyer's obligations under this contract are also contingent upon the successful sale, execution and delivery of the Obligations. In addition, if the Arizona Corporation Commission imposes conditions or requirements that are not satisfactory to Seller, Buyer, City or Town, such party may terminate this Agreement, by so notifying the other parties to this Agreement in writing within five business days of receiving notice of such unacceptable condition or requirement.

Section 5. Representations and Warranties.

5.1 Seller's Representations.

Except as otherwise set forth in this Agreement, and in addition to all other covenants, warranties and representations of Seller herein, Seller hereby represents and warrants to Buyer and the City and Town, as the ultimate purchasers, the following:

- 5.1.1 Seisin. Seller is the owner of and has good and marketable title to the Business Assets to be conveyed hereunder. This warranty does not apply to any Real Property covered by the

Title Policy. Although the parties acknowledge that the Seller does not have easements for its entire system, Seller warrants that this has not had a material adverse effect on its operations, and further warrants that it has no reason to believe that Buyers' experience will be materially different from Seller's experience in this regard.

- 5.1.2. Disclosed Agreements. Except for this Agreement, Seller has entered into no agreement currently in effect to sell the Business Assets. In addition, to the actual knowledge of Seller, its officers and directors, there are no unrecorded leases, options, licenses, easements for the benefit of third parties, or other agreements that would affect, impair, or limit the use of the Business Assets.
- 5.1.3. Liabilities. There are no judgments, liens, actions or proceedings pending against Seller or the Business Assets which would adversely affect this transaction or the title which Buyer, City or Town will receive, other than as set forth in the Title Report.
- 5.1.4. Liens. Prior to the Closing, Seller shall have paid in full, or provided bonds therefor, all contractors, subcontractors, laborers, materialmen, and all other parties having lien rights in connection with any work, if any, performed on the Property or affecting the Property (other than by or on behalf of Buyer, City or Town) for which any lien right may exist, and Seller shall have paid in full and removed any and all debts and monetary obligations encumbering the Property whether or not recorded or specified as an encumbrance or exception to title on the preliminary title report or final title policy, provided Seller, its officers or directors have actual knowledge of such encumbrance. No judgments, liens, security interests or other monetary obligations against the Business Assets will be outstanding at the time of Closing, except Permitted Encumbrances and current real estate taxes which are not yet due and payable.
- 5.1.5. Labor, Materials. All bills and invoices for labor and materials furnished to or on behalf of the Business Assets which have been incurred by Seller prior to the time of conveyance and transfer to Buyer, if any, will be paid by Seller.
- 5.1.6. Proceedings. There are no actions or proceedings by any person or governmental entity pending or, to the actual

knowledge of Seller, its directors or officers, threatened, which might materially and adversely affect the Business Assets. However, the parties acknowledge that Seller's interest in water withdrawn from its wells ("Water Rights") is subject to certain legal proceedings to determine the scope, extent and validity of the rights to use the waters of the Gila River watershed, captioned In re General Adjudication of All Rights to Use Water in the Gila River System and Source, Maricopa County Cause Nos. W-1, W-2, W-3 and W-4 (consolidated), together with various proceedings before a special master and interlocutory appeals pending before the Arizona Supreme Court (Collectively, the "Gila River System Adjudication"). Except as provided in Section 5.1.17, neither Seller nor any of its directors or officers has received any notice from any city, county or state authority or other political, governmental, or quasi-governmental authority or subdivision having jurisdiction over the Real Property requiring or specifying that any work be done to the Real Property in order to allow the operation of the Business Assets as a serviceable water utility.

5.1.7. No Breach. Neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated by this Agreement will result (either immediately or after the passage of time and/or the giving of notice) in a breach or default by Seller under any agreement or understanding to which Seller is a party or by which Seller may be bound or which would have an effect upon Seller's ability to fully perform its obligations under this Agreement. Subject to the approval of Seller's shareholders, which will be sought as soon as practicable after the execution and delivery of this Agreement, the sale of the Assets and the execution and delivery of this Agreement has been fully authorized and is permitted under the Articles of Incorporation and Bylaws of the Seller.

5.1.8. No Bankruptcy. Seller has not (a) made a general assignment for the benefit of creditors, (b) filed any voluntary petition or suffered the filing of an involuntary petition by Seller's creditors, (c) suffered the appointment of a receiver to take all, or substantially all, of Seller's assets, (d) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, or (e) admitted in writing its inability to pay its debts as they fall due, and to the actual knowledge of Seller, its officers and directors, no

such action is threatened or contemplated.

5.1.9. Regulations. Except as provided in Section 5.1.17, neither Seller nor any of its officers or directors have received notice of any violations of any applicable zoning regulation, law, order, ordinance, rule, requirement, covenant, condition or restriction affecting or relating to the use or occupancy of the Property from any governmental agency having jurisdiction over the Business Assets or from any other person entitled to enforce the same.

5.1.10. Permits. To the actual knowledge of Seller, its officers, directors, Seller has all permits, licenses, authorizations and approvals required by law or any governmental agency to conduct the Business.

5.1.11. Condemnation. There are no pending or, to the actual knowledge of Seller, its officers and directors, threatened condemnation or eminent domain proceedings which would affect the Business Assets.

5.1.12. Accuracy. None of the representations or warranties made by Seller in this Agreement, nor any certificate or schedule furnished or to be furnished to Buyer, City or Town pursuant to this Agreement contains, or will as of the Closing Date contain, any untrue statement of material fact. The Seller covenants that between the date of the execution of this Agreement and Closing that Seller shall not take any action that will cause the representations and warranties made herein to be untrue as of Closing.

5.1.13. Creditors. Within thirty (30) days following Closing, except as set forth in Section 7, all bills and invoices for goods and services related to or which are a part of the Business Assets, if any, shall be paid by Seller; all creditors shall be paid by Seller; all employees (if any) and salaries, wages, bonuses, vacation pay and benefits accrued up to the date of Closing shall be paid by Seller; all withholdings, payroll taxes, unemployment insurance, worker's compensation benefits, and all other similar payments shall be paid current to the date of Closing by Seller; and no claims by Creditors shall exist which may encumber the Business Assets.

5.1.14. Organization. Seller has been duly formed and presently exists as an Arizona corporation, and has the full right and

authority to enter into this Agreement, to consummate the sale contemplated herein and to observe and perform all of its covenants and obligations hereunder. The person or persons executing this Agreement and any other document required hereby has or shall have full authority to act on behalf of and to bind the Seller in and to the obligations imposed on it by this Agreement, subject to the approval of Seller's shareholders, which will be sought as soon as practicable after the execution and delivery of this Agreement.

5.1.15. Commissions. Seller has made no agreements respecting commissions or brokerage fees in connection herewith.

5.1.16. Arizona Department of Water Resources ("DWR"). There are no proceedings involving Seller currently pending before, or to the actual knowledge of Seller, its Directors and Officers, threatened by the Arizona Department of Water Resources. Before Closing, Seller shall obtain the written consent of the Director of DWR to the assignment of all of Seller's right, title and interest in the 1998 Water Trust Fund Agreement administered by Northern Trust Bank of Arizona (or any successor Trustee) to the City and Town.

5.1.17. Environmental Regulations. In addition to all other covenants, warranties and representations of Seller herein, Seller, to the extent of the actual knowledge of Seller, its officers and directors, hereby represents and warrants to the Buyer, City and Town that it has received no notice of noncompliance with or violation of any applicable Federal and State environmental, health and safety law and/or regulation, other than two notices from the Arizona Department of Environmental Quality dated June 30, 2005, concerning the Company's failure to perform and report on Maximum Residual Disinfection Levels (MRDL's) and Disinfection Byproducts (DBP's), copies of which have been provided to Buyer, City and Town.

5.1.18. Governmental Approvals. No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained or to be obtained by Closing is required for the sale of the Business Assets by Seller to Buyer, City and Town.

5.1.19. No Free Service. No free water or service has been agreed to between Seller and any third party, whether public or

private that will not terminate on or before the Closing.

- 5.1.20. Registration of Wells. To the actual knowledge of Seller, its directors and officers, all of the water wells included in the Business Assets are properly registered with the DWR.
- 5.1.21. Radon. To the actual knowledge of the Seller, its officers and directors, there is no Radon gas contamination of any part of the Property.
- 5.1.22. No Protected Sites. To the actual knowledge of the Seller, its officers and directors, there are no sites of historical or archaeological importance on the Property that in any way would impede, curtail, limit or restrict the operation of the Property or any other Business Asset.
- 5.1.23. Hazardous Substances. To the actual knowledge of the Seller, its officers and directors, the Real Property has never been utilized for treatment, storage, or disposal of hazardous substances or wastes or petroleum products. Seller has not received notice of any violations of any local, state or federal statutes or laws governing the generation, treatment, storage, disposal, or clean-up of hazardous substances, including, without limitation, under the Arizona Environmental Quality Act of 1986, the Toxic Substance Control Act of 1976, or the Resource Conservation and Recovery Act of 1976, as they have been amended from time to time.
- 5.1.24. Utilities. To the actual knowledge of the Seller, its officers and directors, and to the extent necessary for the current operation of the Business and the Business Assets, water, sewer, telephone, and electrical facilities are presently installed in, to or on the Property.
- 5.1.25. Water and Related Rights. Subject to the Gila River System Adjudication and to the actual knowledge of Seller, its directors and officers, Seller has all necessary Water Rights required for the current operation of the Business Assets.
- 5.1.26. Collectible Accounts. For any and all Accounts Receivable to be transferred to Buyer under this Agreement, Seller represents and warrants that all such accounts are collectible subject to non-payment by customers at a rate consistent with prior experience.

5.1.27 Inventory. The Inventory is located at the Seller's main office and the Cherry Street yard. No part of the Inventory has been consigned to others.

5.1.28 Warranties to Others. Seller has not given or made any express warranties to third parties with respect to any products sold or services performed by the Seller. The Seller has no knowledge of any state of facts or the occurrence of any event forming the basis of any present or potential claim against the Business Assets for liability due to any express or implied warranty.

5.2 Buyer's Representations.

Buyer hereby represents to Seller as follows:

5.2.1 Authority. Buyer has been duly formed and presently exists as a non-profit corporation under the laws of the state of Arizona, and the execution of this Agreement and the performance of Buyer's obligations hereunder have been duly authorized by all proper and necessary actions, and do not violate any applicable governmental statute, rule, regulation, ordinance, contract or other restriction. The person executing this Agreement and any other documents required hereby has full authority to act on behalf of and to bind the Buyer in and to the obligations imposed on it by this Agreement.

5.2.2 Commissions. Buyer has made no agreements respecting Commissions or brokerage fees in connection herewith.

Section 6. Indemnification.

6.1 Seller.

Seller shall indemnify, defend and hold Buyer, City and Town, and their agents, officers, employees and representatives harmless against and in respect of:

6.1.1 The inaccuracy of any of the representations or warranties of the Seller contained in this Agreement, or any of the agreements, certificates, documents, or exhibits delivered in connection with this Agreement; and

6.1.2 The failure to comply with, or the breach or default by Seller of any of the covenants, warranties or agreements made by

the Seller contained in this Agreement or any of the agreements, certificates, documents, or exhibits delivered in connection with this Agreement; and

6.1.3 All actions, suits, proceedings, demands, claims, assessments, judgments, costs and expenses incident to any of the foregoing or any obligations or liabilities incurred by Seller prior to the date of Closing that are not assumed hereunder.

Notwithstanding anything in this Agreement to the contrary, Seller shall not be responsible for any damages or losses that accrue or arise after the Closing Date to the extent that they result from the continuation by the Buyer, the City or the Town of any policy, procedure or business practice (including but not limited to those related to health, safety, environmental and regulatory) used or employed by the Seller prior to the closing date.

6.2 Notice of Claim. Buyer, City or Town shall promptly notify Seller in writing of any claim, act or notice which could give rise to a claim of indemnification under this Agreement. Neither Buyer, City or Town shall settle, pay, or confess judgment with regard to such claim if Buyer, City or Town receives from Seller, within fifteen (15) days after the notice of claim, a written statement from Seller that it will diligently defend the claim. If Seller desires to contest the claim, it shall do so at its sole cost and expense, without reimbursement from Buyer, City or Town, and shall keep Buyer, City or Town informed of the defense, as reasonably required by the applicable entity. If Seller shall fail to successfully contest a claim as provided for above; pay a claim or final judgment rendered against it; or remove any lien or attachment within ten (10) days after imposition, then Buyer, City or Town may, but will not be obligated to, pay any such claim, judgment or lien. In the event of such payment by Buyer, City or Town, the paying party shall be entitled to an offset in the amount so paid by that party, plus actual attorneys' fees, costs, and interest at the legal rate in connection therewith. In the event Buyer, City or Town claims any such offset hereunder, the claiming party shall so notify Seller in writing. Any amount due Buyer, City or Town not paid by such offset shall be immediately due and payable by Seller. This provision shall survive Closing.

6.3 Limitations on Indemnification. If the Closing occurs, Seller shall be liable pursuant to Section 6 only if the Buyer, City or Town notifies the Seller of the claim, specifying the factual basis of the claim in reasonable detail to the extent then known by the notifying party, on or before the date that is six months after the Closing Date. Seller shall have no liability, for indemnification or otherwise, with respect to claims arising under Section 6 until the total losses with respect to such matters exceeds Two Hundred and Fifty Thousand Dollars (\$250,000.00). The aggregate liability of the Seller for

all claims or losses shall not exceed Seven Hundred and Fifty Thousand Dollars (\$750,000.00). Seller shall make assets available sufficient to satisfy its obligations under this Section 6 for six months following the Closing Date. The rights and remedies of the Buyer, City and Town for money damages under this Section 6 are exclusive and in lieu of any and all rights and remedies that the Buyer, City and Town may have under this Agreement or under applicable law for any money damages.

6.4 Buyer.

To the extent permitted by applicable law, Buyer, City and Town shall indemnify, defend and hold Seller harmless against and in respect of:

6.4.1 Any costs, expenses, damages or deficiencies resulting from any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of Buyer, City or Town hereunder or from any misrepresentation in or omission from any certificate or other instrument furnished or to be furnished to Seller by Buyer, City or Town under this Agreement.

6.4.2 Seller shall promptly notify Buyer in writing of any claim, act or notice which could give rise to a claim of indemnification under this Agreement. Seller shall not settle, pay or confess judgment with regard to such claim if Seller receives from Buyer, City or Town within fifteen (15) days after the aforesaid notice of such claim a statement in writing by Buyer, City or Town that Buyer, City or Town will diligently defend the claim. If Buyer, City or Town desires to contest the claim, it shall do so at its sole cost and expense without reimbursement from Seller and shall keep Seller advised as to the status of the defense as reasonably required by Seller. If Buyer, City and Town shall fail to successfully contest a claim as provided for above; pay a claim or final judgment rendered against it; or remove any lien or attachment within ten (10) days after imposition, then Seller may, but shall not be obligated to, pay any such claim, judgment or lien. In the event of such payment by Seller, the amount of such payment plus costs, and actual attorneys' fees together with interest thereon at the legal rate per annum shall be paid by Buyer, City and Town to Seller within thirty (30) days. This provision shall survive Closing.

Section 7. Aid in Construction Agreements.

7.1 Seller's Responsibility.

7.1.1 Seller shall be responsible for satisfying all Aid in Construction Agreements it is required to satisfy prior to Closing,

in accordance with the terms of such agreements and any requirements established by the Arizona Corporation Commission. This includes paying liabilities that arose under all such agreements through June 30, 2005, and crediting Buyer, City and Town for liabilities arising under all such agreements between July 1, 2005 and the Closing Date, as more particularly described in Section 3.1 of this Agreement.

7.1.2 In the event there are any Non-Terminated Aid in Construction Agreements which have not been satisfied and released, Buyer, City and Town shall honor such agreements as written, all as described in Section 3.1.3.

Section 8. Escrow Agent.

8.1 Closing Agent.

The Escrow Agent shall serve as the Closing agent for this transaction.

8.2 Delivery of Transfer Instruments.

The Transfer Instruments and any other documents required by this Agreement or applicable laws shall be placed by the parties into escrow with the Escrow Agent and shall be delivered to the appropriate party upon Closing.

Section 9. Closing Date.

9.1 Date of Closing. The Closing of this sale shall take place on or before the later of (a) 45 days after Arizona Corporation Commission approval of this transaction; or (b) 45 days after the Director of the Arizona Department of Water Resources gives his or her written consent to the assignment of Seller's rights in the Water Trust Fund Account more particularly described elsewhere in this Agreement. In the event the parties wish to extend the Closing Date, they may do so provided a written instrument is executed by the parties and delivered to the Escrow Agent setting a new date for Closing. The new Closing Date shall also be the new date for pro-ration under Section 12.

9.2 Conditions Precedent to Buyer's Obligations to Close. In addition to the conditions precedent described elsewhere in this Agreement, the obligations of Buyer to consummate the transactions contemplated hereby are subject to each of the following conditions precedent being fulfilled on or prior to the Closing Date including, as applicable by Seller, or written waiver by Buyer, City and Town thereof:

9.2.1 Representations and Warranties. Each and every representation and warranty made by Seller herein shall be true and correct in all material respects when made and shall be true and correct in all material respects as if originally made on and as of the Closing.

9.2.2 Seller's Obligations Performed. All obligations of Seller to be performed hereunder through and including the Closing Date (including, without limitation, all obligations which Seller would be required to perform at the Closing if the transactions contemplated hereby were consummated) shall have been performed in all material respects.

9.2.3 Consents. All of the consents and approvals required under this Agreement shall have been obtained and, to the extent licenses, authorities or permits held by Seller do not remain in effect after the Closing, Buyer, City or Town has either been able to obtain licenses, authorities and permits to be able to operate the Business Assets on substantially the same terms as such licenses, authorities and permits were originally issued to Seller or has obtained binding commitments from the applicable authorities to issue such licenses, authorities and permits to the City and Town following the Closing.

9.2.4 No Suit, Proceeding or Investigation. No suit, proceeding, inquiry, or investigation shall have been commenced or threatened by any governmental authority or private person on any grounds to restrain, enjoin, or hinder, or to seek damages on account of, the consummation of the transactions contemplated herein.

9.2.5 ACC Determination. The City of Cottonwood shall have received a determination by the Arizona Corporation Commission substantially to the effect that, following the consummation of the transactions contemplated herein, the operation of the Business Assets will no longer be subject to regulation by the Commission.

9.2.6 Opinion of Counsel. Buyer, City and Town shall have received an opinion of Snell & Wilmer L.L.P., counsel to Seller, dated as of the Closing Date in form and substance satisfactory to the Buyer, City and Town and their counsel, which is substantially identical to the form attached hereto as Exhibit G.

9.2.7 Other Documents. Without limitation by specific enumeration of the foregoing, provision by Seller of all other documents reasonably required to consummate the transaction herein contemplated including, without limitation, all documents and instruments reasonably requested by Buyer, City or Town in

order to assure themselves that the City or Town will receive good title to the Business Assets free and clear of all liens, claims, charges, liabilities, encumbrances, and security interests of whatsoever kind and nature.

9.3 Conditions Precedent to Seller's Obligation to Close. In addition to the conditions precedent described elsewhere in this Agreement, the obligation of Seller to consummate the transactions contemplated hereby are subject to each of the following conditions precedent being fulfilled on or before the Closing Date including, as applicable to Buyer, City or Town, or written waiver of Seller thereof:

9.3.1 Representations and Warranties. Every representation and warranty made by Buyer, City or Town herein shall be true and correct in all material respects when made and on and as of the Closing.

9.3.2 Buyer's Obligations Performed. All obligations of Buyer to be performed hereunder through and including the Closing Date, including without limitation, all obligations which Buyer would be required to perform at the Closing if the transactions contemplated hereby were consummated, shall have been performed in all material respects.

9.3.3 Shareholder Approval. This Agreement and the transactions contemplated herein shall have been approved by the Seller's shareholders.

9.3.4 Opinions of Counsel to City and Town. Seller shall have received opinions from Counsel to the City and Town in a form substantially identical to the form attached as Exhibit H.

Section 10. Closing Documents.

10.1 Seller's Deposits. Prior to Closing, Seller shall deposit in escrow for delivery to Buyer, the following:

10.1.1 The Transfer Instruments required by this Agreement.

10.1.2 Any other documents or instruments required by this Agreement.

10.1.3. Any other instruments necessary to or reasonably required by Buyer to effectuate the transaction contemplated herein.

10.2 Buyer's Deposits. Prior to Closing, Buyer shall deposit in escrow for delivery to Seller the following:

10.2.1 All sums required of Buyer to be paid by Closing.

10.2.2 Such Transfer Instruments as are required of Buyer.

10.2.3 Any other instruments necessary to or reasonably required by Seller to effectuate the transaction contemplated herein.

10.3 Further Documents. Seller and Buyer shall execute such further documents, and perform such further acts, as may be necessary to transfer and convey the Business Assets to Buyer and ultimately to the City and Town on the terms contained in this Agreement and shall otherwise comply with the terms of, and consummate the transactions provided in, this Agreement.

Section 11. Costs

Costs of Closing and/or expenses connected with the transfer of the Business Assets and the sale thereof shall be divided between the Buyer, City and Town, and Seller, and paid through escrow, as follows:

11.1 Attorneys Fees. Each party shall pay its own attorneys' fees and costs.

11.2 Escrow Fees. The escrow fee and all filing and recording fees shall be divided equally between (i) Buyer, City and Town collectively, and (ii) Seller, to the extent that such recording fees or filing fees are for the Transfer Instruments. If any recording fees or filing fees are necessary as a result of recordings required to clear title, they shall be paid by Seller.

11.3 Title Insurance. The premium for the standard title insurance policies required to be provided by this Agreement shall be divided equally between (i) the Seller and (ii) Buyer, City and Town collectively. Buyer, City and Town shall pay the difference between the standard premium and an extended premium, if any.

Section 12. Prorations.

All of the following in 12.1 and 12.2 shall be prorated as of 12:01 a.m. on the Date of Closing.

12.1 Taxes. All current real estate taxes against the Property. Any delinquent taxes, penalties and interest thereon for the Property shall be paid by Seller on or before Closing.

12.2 Assessments. All current assessments, both principal and interest, against the Property. Any delinquent amounts shall be paid by Seller on or before Closing.

12.3 Other.

12.3.1 Any utility deposits for operation of the offices or facilities of Seller, if any, shall be returned to Seller, and the City and Town shall each make its own utility deposit arrangements.

12.3.2 Personal property tax shall be prorated as of Closing.

12.3.3 Billing and collections shall be prorated in accordance with Section 19.

Section 13. Risk of Loss.

13.1 Prior to Closing. The risk of loss for damage by fire or other casualty, or the taking by eminent domain, until Closing, shall be assumed by and shall be the responsibility of Seller. Upon the happening of any material loss and within ten (10) business days after notification thereof, Buyer may elect in writing to terminate this Agreement or close the sale. If any election to terminate the Agreement is made, any money on deposit shall be returned to Buyer with accrued interest thereon and this Agreement shall thereupon become null and void. In the alternative, if an election to proceed with Closing is made by Buyer, any insurance proceeds and/or condemnation award in connection with the loss shall be transferred to and become the property of Buyer, but there shall be no adjustment to the Purchase Price.

13.2 After Closing. The risk of loss or damage by fire or other casualty, or the taking by eminent domain, shall be assumed by Buyer after Closing.

Section 14. Insurance.

Buyer shall place its own insurance coverage on the property and Seller shall terminate any insurance coverage it may have as of Closing.

Section 15. Assignment of Agreement, and Rights Among Buyer, City and Town.

The rights of any party under this Agreement are not assignable without the prior written consent of each of the other parties to this Agreement, which may be withheld in good faith and for good cause. As among Buyer, City and Town, the City and Town hereby subrogate their rights hereunder to the extent necessary for the purposes of the Series 2005 City Purchase Agreement. As between the City and Town, the Town hereby subrogates its rights hereunder

to the extent necessary for the purposes of the Intergovernmental Utilities Purchase Agreement.

Section 16. Default.

16.1.1 Non-Monetary Default. For the purposes of this Section 16, a "Non-Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance when that failure is the result of any bona fide action by a third party encumbering the Business Assets by creating a cloud on the title of Seller's ownership status which is not practicably susceptible to financial satisfaction prior to Closing and which did not exist when the Preliminary Title Report was received by Buyer.

16.1.2 Monetary Default. For the purpose of this Section 16, a "Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance, when that failure is a result of a monetary lien or encumbrance upon the Business Assets, which lien or encumbrance was not disclosed in the Preliminary Title Report when received by Buyer and which can be cured by the application of a portion of the Closing proceeds.

16.1.3 Seller's Willful Refusal. For the purpose of this Section 16, "Seller's Willful Refusal" shall mean the failure of Seller to close this transaction, without legitimate cause, after Buyer has tendered full performance.

16.1.4 Remedies. In the event of a Default by Seller, Buyer's and the City of Cottonwood's exclusive remedies shall be as follows:

16.1.4.1 In the event of a Non-Monetary Default, Buyer and the City of Cottonwood shall have ten (10) business days following such default in which to elect in writing to terminate this Agreement or waive the Non-Monetary Default and close this transaction. In the event Buyer and the City of Cottonwood elect to terminate this Agreement, this Agreement shall thereupon be null and void. If Buyer and the City of Cottonwood elect to waive the Non-Monetary Default and close the transaction, then the sale shall close within ten (10) business days after written notice to close. There shall be no adjustment in the Purchase Price and Buyer and the City of Cottonwood shall accept whatever title Seller may be able to convey. If Seller still refuses or is unable to close, then Buyer and the City of Cottonwood may

elect to pursue such legal and equitable remedies as they may be available at law.

16.1.4.2 In the event of Seller's Willful Refusal, then Buyer, City or Town shall be entitled to pursue all legal and equitable remedies as may be available.

16.2 Buyer's Default. In the event Buyer fails to close this transaction, Seller shall be entitled to pursue all its rights and remedies at law and in equity. The parties specifically agree that the provisions of A.R.S. Section 33-741, et. seq. shall not apply to this Agreement.

Section 17. Customer Deposits.

17.1 Seller's Responsibility. Seller shall be responsible for refunding all customer deposits and shall do so in accordance with any requirements established by the Arizona Corporation Commission. Seller shall be entitled to offset customer deposits against amounts due from customers, in accordance with any requirements established by the Arizona Corporation Commission. Seller shall refund the remaining balance of customer deposits as a credit to such month's water service billing rendered by Seller, and shall provide documentation of same to Buyer.

Section 18. Employees.

18.1 Seller's Responsibilities. Seller shall be responsible for paying all FICA, existing benefits and accrued vacation pay to all employees employed by Seller through Closing so as to ensure no lien or other encumbrance will attach to the Business Assets being transferred to Buyer.

18.2 Buyer's Responsibilities. Buyer shall take reasonable steps to provide that the City of Cottonwood will consider offering employment to the employees of Seller effective the next day after Closing, according to the City of Cottonwood's then existing personnel guidelines. Nothing in this Agreement shall be considered as creating any right of employment with the City for the former employees of Seller.

Section 19. Meter Readings and Billings.

19.1 Meter Readings.

19.1.1 The parties agree that it would be impractical to read all of the customer meters on the date of Closing. Therefore, meter readings shall continue in the usual course of business during the month of Closing.

19.1.2 Seller shall continue to bill in its usual sequence during the month immediately prior to Closing.

19.1.3 The City of Cottonwood shall begin billing after Closing. However, as the initial billings will be for service rendered by Seller, the City of Cottonwood shall render such billings at the same rate as charged by Seller for any water use that occurred while Seller was still the owner of the Business Assets. The City of Cottonwood shall collect for Seller's sale of water.

Section 20. Miscellaneous Provisions.

20.1 Notices. All notices and communications hereunder shall be in writing and shall be given by personal delivery or mailed first class, registered or certified mail, postage prepaid, and shall be deemed received upon the earlier of actual delivery or five (5) days after deposit in the United States Mail. Notices shall be delivered or mailed to the addresses set forth in Section 1 of this Agreement. In addition, a copy of the notice shall be mailed or delivered to the Escrow Agent in care of the address set forth in Section 1, and a copy shall also be sent to:

For Cottonwood Water Works:

Attn: Charles Garrison
1042 N. Main Street
Cottonwood, AZ 86326

For City of Cottonwood and the
Municipal Property Corporation:

City Manager
City of Cottonwood
827 N. Main Street
Cottonwood, AZ 86326

For the Town of Clarkdale:

Town Manager
PO Box 308
890 Main Street
Clarkdale, AZ 86324

Notwithstanding any other provision in this Agreement, any and all notices which Seller may be required to provide to Buyer, City and/or Town, or consents from such parties, shall be deemed to have been provided or obtained in accordance with this Agreement if such notice has been provided to, or consent obtained from, the City, through the City Manager.

20.2 Nature of Agreement.

20.2.1 Agreement Negotiated. The terms and provisions of this

Agreement represent the results of negotiations between Seller and Buyer, each of which has been represented by counsel or the representation of its own choosing and neither of which has acted under duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and Seller, Buyer, City and Town hereby waive the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of the Agreement, including (without limitation) any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the party whose attorney prepared the executed draft or any earlier draft thereof.

20.2.2 Integration. All understandings and agreements heretofore had between the parties are merged into this Agreement which alone fully and completely expresses their agreement; the same is entered into after full investigation and neither party is relying upon any statements or representations by the other not embodied in this Agreement.

20.2.3 Other Inducements. The parties agree that there are no promises, inducements, representations or agreements in connection with this Agreement except those specifically set forth herein in writing.

20.2.4 Modification. This Agreement may only be amended or altered in any way by a written agreement signed by the parties.

20.2.5 Other Agreements. Except for agreements entered into in the ordinary course of business (for example, Advance in Aid of Construction Agreements), Seller shall not enter into any contracts, leases, agreements or amendments to existing agreements or encumbrances affecting the Business Assets while this Agreement remains in force or subsequent to Closing of this transaction without the express written consent of Buyer, City and Town other than to remove a matter which the Title Insurer required be removed for Closing. Notwithstanding the foregoing, Seller shall seek the prior written consent of Buyer, City and Town prior to entering into any contract, lease, agreement or amendment to an existing agreement which is valued at more than Twenty Five Thousand Dollars (\$25,000.00) and which is to be assumed by Buyer, City

and Town upon Closing.

20.3 Relation of Parties.

20.3.1 No Agency. It is expressly agreed and understood by the parties hereto that neither party is the agent, partner, nor joint venture partner of the other. It is also expressly agreed and understood that neither Seller nor Buyer has any obligations or duties to the other except as specifically provided for in this Agreement.

20.4 Construction.

20.4.1 Time. Time is of the essence of this agreement. However, if any action is required to be taken on a Saturday, Sunday or legal holiday, the action shall be deemed timely taken if it is taken on the next regular business day.

20.4.2 Headings. The headings of this Agreement have been inserted for convenience of reference only and are not intended to influence any construction of the provisions hereof. Whenever a personal pronoun is used in any one gender, it shall be deemed to include all other genders as the case may require, and the singular shall include the plural, and vice versa, unless the context indicates to the contrary.

20.4.3 Adverbs. Whenever the terms "herein", "hereunder", "hereof", "therefore", "thereover", or similar terms are used, they shall refer to this entire Agreement as a whole and shall not refer solely to any particular section.

20.4.4 Exhibits. All recitals, schedules and exhibits to this Agreement are incorporated as though fully set forth herein.

20.4.5 State Law. This Agreement and the conveyance provided for herein shall be governed by the laws of the State of Arizona.

20.4.6 Counterparts. This Agreement may be executed in counterparts, and the signature of any person required by this Agreement shall be effective if signed on any and/or all counterparts. All counterparts together shall be considered one and the same Agreement.

20.5 Foreign Investment. Seller shall fully comply with all applicable state and federal laws governing foreign investment, including the Foreign Investment in Real Property Tax Act and Section 1445 of the Internal Revenue

Code, as amended from time to time, and shall hold Buyer harmless from any claim or action arising therefrom.

Section 21.

21.1 Cancellation. It is explicitly agreed by the parties that this Agreement is subject to the right of Seller, Buyer, City and Town to cancel this Agreement on or before July 31, 2005, for any reason whatsoever. In addition, any party may cancel this Agreement at any time prior to the Closing Date if another party has failed to provide, within a reasonable time, any and all documents, records or other information the requesting party is entitled to or reasonably requests under this Agreement.

21.2 Access to Seller's Information. Seller shall continue to permit Buyer, City and Town full access, during normal business hours, to the books and records of Seller and will permit Buyer, City and Town to make copies of such books and records. Seller shall also permit Buyer full access to the Business Assets, including but not limited to the facilities of Seller. Seller shall also furnish such additional information as Buyer reasonably requests of Seller. All information Seller provides will be treated by Buyer, City and Town and their employees or agents as confidential to the extent permitted by Arizona law, including but not limited to public records laws. If Buyer, City or Town may be required to divulge confidential information of the Seller, such party shall inform Seller immediately in order to permit Seller to possibly intervene or seek a protective order against the release of such confidential information.

21.3 Maintenance of Assets.

21.3.1 Seller agrees to maintain the condition of the Business Assets in their current condition, ordinary wear excepted, through the date of Closing;

21.3.2 Seller shall not order, purchase or lease any products, inventory, equipment, personalty, or other items, or dispose of any of its assets or leased property except in the usual and ordinary course of business in accordance with past practices of the Seller;

21.3.3 Seller shall not make any material changes in the conduct or nature of any aspect of the Business, whether in the ordinary course of business or not;

21.3.4 Seller shall not waive any material rights that are part of the Business Assets;

21.3.5 Seller shall not merge or consolidate with or into any other

corporation or entity;

Section 23. No Off-site Facilities Hook-up Fee.

Seller has not been authorized by the Arizona Corporation Commission to collect an "Off-site Facilities Hook-up Fee" on new connections to Seller's water system.

Section 24. Miscellaneous.

24.1 Confidentiality. Each party agrees to take all reasonable and lawful measures to protect the proprietary information of the other to which it may have access and to maintain the confidentiality thereof.

24.2 Conflict of Interest. The parties acknowledge that this Agreement is governed by Arizona Revised Statutes Section 38-511, which provides that this Agreement may be cancelled within three years of its execution for a conflict of interest as described in that statute.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date set forth above.

BUYER:

CITY OF COTTONWOOD
MUNICIPAL PROPERTY
CORPORATION, an Arizona
non-profit organization

By: _____

Its _____

PRESIDENT

SELLER:

COTTONWOOD WATER WORKS,
INC., an Arizona corporation.

By: _____

Its _____

PRESIDENT

ATTEST:

CITY OF COTTONWOOD

By: _____

Its _____

MAYOR

ATTEST:

City Clerk

Approved as to form only:

By: _____

Steven B. Horton

Mangum, Wall, Stoops & Warden, PLLC

City Attorneys

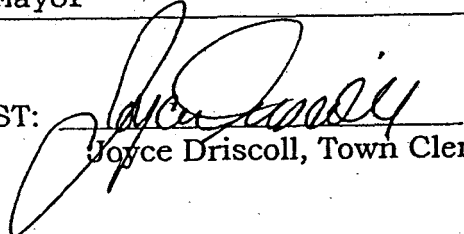
TOWN OF CLARKDALE

By: 

Doug Von Gausig

Its

Mayor

ATTEST: 

Joyce Driscoll, Town Clerk

Approved as to form only:

By: 

Robert S. Pecharich

Boyle, Pecharich, Cline & Whittington
Town Attorneys

EXHIBIT A

EXHIBIT A

Advances In Aid Of Construction - August 2004

AIAC	Name	Year	Previous Balance	Pay Received	Refund Paid	Refund Paid	New Balance	New Balance
					Cottonwood	Clarkdale	Cottonwood	Clarkdale
90	Foothills Terrace	1991	\$15,315.30	\$0.00		\$3,197.72		\$12,117.58
91	F or R Dunlap	1991	\$1,823.94	\$0.00		\$31.36		\$1,792.58
93	D or D Griffith	1992	\$1,529.34	\$0.00		\$94.02		\$1,435.32
94	D Levensgood	1992	\$1,095.36	\$0.00	\$587.77		\$507.59	
95	Walmart/1st S Bap	1992	\$19,101.08	\$0.00	\$1,073.70		\$18,027.38	
96	R or A Schweitzer	1993	\$2,286.72	\$0.00		\$27.68		\$2,259.04
97	Henry Corp LTD. (Assigne	1993	\$14,117.51	\$0.00	\$1,837.48		\$12,280.03	
98	W/m Morehead	1993	\$761.99	\$0.00	\$207.55		\$554.44	
99	Siversprings Dev	1995	\$13,109.54	\$0.00	\$1,581.86		\$11,527.68	
100	Steve Millar	1994	\$1,209.95	\$0.00	\$519.19		\$690.76	
101	Robert Prosser	1994	\$1,813.35	\$0.00		\$311.33		\$1,502.02
102	Markell Barrett	1994	\$377.33	\$0.00	\$195.05		\$182.28	
103	Neil Klein Dev	1994	\$65,587.28	\$0.00		\$3,557.99		\$62,029.29
104	Ruth Monclbaez	1994	\$965.54	\$0.00		\$139.84		\$825.70
105	Hank Chaiken	1994	\$1,632.34	\$0.00		\$81.27		\$1,551.07
106	Ck or Sa Williamson	1994	\$4,562.02	\$0.00		\$374.52		\$4,186.50
107	BM Selma Trust	1994	\$3,424.23	\$0.00		\$188.09		\$3,236.14
108	BM or Pd Van Kirk	1994	\$8,055.10	\$0.00		\$76.67		\$7,978.43
109	HR or C Stadelman	1997	\$9,327.08	\$0.00		\$318.87		\$9,008.21
110	V Defore or L Lightfoot	1995	\$2,931.31	\$0.00		\$148.97		\$2,782.34
111	Lk or Ej Lloyd	1995	\$3,140.18	\$0.00		\$253.88		\$2,886.30
112	QK Inc	1995	\$15,511.45	\$0.00	\$409.26		\$15,102.19	
113	Sk or Jm Driscoll	1995	\$8,878.33	\$0.00		\$351.05		\$8,527.28
114	David C Blaurent	1995	\$33,190.22	\$0.00		\$1,233.27		\$31,956.95
115	Christian Housing	1995	\$5,803.26	\$0.00	\$717.81		\$4,365.45	
116	Crestview LLC	1996	\$17,963.35	\$0.00	\$1,222.85		\$16,740.50	
117	West Canyon Group	1996	\$2,475.19	\$0.00	\$2,475.19		\$0.00	
118	Del Webb	1996	\$1,322,517.74	\$0.00	\$29,467.82		\$1,293,049.92	
119	Ga or VI Vargus	1996	\$60,573.86	\$0.00		\$1,295.75		\$59,278.11
120	Santa Fe Dev	1996	\$40,891.04	\$0.00	\$1,284.46		\$39,606.58	
121	Super 8	1996	\$9,832.89	\$0.00	\$895.14		\$8,937.75	

Advances In Aid Of Construction - August 2004

AIAC	Name	Year	Previous Balance	Pay Received	Refund Paid	Refund Paid	New Balance	New Balance
					Cottonwood	Clarkdale	Cottonwood	Clarkdale
122	R or C Stadelman	1996	\$5,893.43	\$0.00				
123	Ca or Rj Hertz	1996	\$8,242.30	\$0.00		\$80.20		\$5,813.23
124	Rupert Osequeda	1996	\$2,142.51	\$0.00	\$22.16	\$349.33	\$2,120.35	\$7,892.97
125	Am Legion Post 25	1996	\$4,040.84	\$0.00	\$220.91		\$3,819.93	
126	VV Guidance Clinic	1996	\$27,557.70	\$0.00	\$1,248.38		\$26,309.32	
127	Hg or Jb Cox	1997	\$5,579.67	\$0.00	\$480.61		\$5,099.06	
128	Ca or Dh Matley	1997	\$9,744.81	\$0.00	\$649.64		\$9,095.17	
129	Silver Springs Dev	1997	\$14,894.44	\$0.00	\$1,137.46		\$13,756.98	
130	La or Sa Marthaler	1997	\$6,569.01	\$0.00		\$319.34		\$6,249.67
131	Michael Momeyer	1997	\$8,194.89	\$0.00		\$200.24		\$7,994.65
133	GVW/West Canyon	1997	\$21,128.83	\$0.00	\$980.96		\$20,147.87	
134	Neil Dixon	1997	\$3,053.21	\$0.00		\$205.32		\$2,847.89
135	Crestview LLC	1998	\$41,915.99	\$0.00	\$2,245.98		\$39,670.01	
136	Steve Adams	1997	\$8,025.68	\$0.00	\$1,281.40		\$6,744.28	
137	Wescap Invest	1997	\$39,546.84	\$0.00	\$1,092.58		\$38,454.26	
138	Vision Ent LLC	1998	\$64,668.57	\$0.00	\$2,741.93		\$61,926.64	
139	Terre Verde	1998	\$88,495.30	\$0.00	\$1,970.39		\$86,524.91	
140	CHDA Const	1998	\$6,097.83	\$0.00	\$368.26		\$5,729.57	
141	Mingus Land Co	1998	\$10,733.19	\$0.00		\$77.25		\$10,655.94
142	Mulcaire Childrns Trust	1998	\$9,016.16	\$0.00		\$184.75		\$8,831.41
143	Thomas Goodwin LP	1999	\$83,926.57	\$0.00	\$1,326.73		\$82,599.84	
144	Micael Macera	1999	\$111,888.21	\$0.00	\$2,129.75		\$109,758.46	
145	Daniels Properties	1998	\$6,452.88	\$0.00	\$692.61		\$5,760.27	
146	Casa Arizona LLC	1998	\$52,860.90	\$0.00	\$858.27		\$52,002.63	
147	Alpha Self Storage	1998	\$8,561.07	\$0.00	\$22.16		\$8,538.91	
148	Robert W Sackman	1999	\$4,538.88	\$0.00	\$184.29		\$4,354.59	
149	Ctwd Industrial LLC	1999	\$17,014.11	\$0.00	\$147.26		\$16,866.85	
150	Christensen Fmly Trust	1999	\$4,581.91	\$0.00		\$109.87		\$4,472.04
151	Earnshaw Prpt Trust	1999	\$28,588.66	\$0.00	\$253.39		\$28,335.27	
152	Void							
153	Void							
154	Homes By Judi	2000	\$70,777.00	\$0.00	\$46.67		\$70,730.33	
155	Mike Mulcaire	2000	\$6,492.00	\$0.00		\$0.00		\$6,492.00
156	Fir Corner LLC	2000	\$29,086.48	\$0.00	\$915.62		\$28,170.86	
157	Rudy Stadelman	2000	\$25,403.70	\$0.00		\$206.94		\$25,196.76
158	Void							

Advances In Aid Of Construction - August 2004

AIAC	Name	Year	Previous Balance	Pay Received	Refund Paid	Refund Paid	New Balance	New Balance
					Cottonwood	Clarkdale	Cottonwood	Clarkdale
159	Crestview LLC	2000	\$33,807.43	\$0.00				
160	DI or Ma Puzas	2001	\$7,419.50	\$0.00	\$962.80	\$36.42	\$32,846.63	\$7,383.08
161	Am Heritage Academy	2001	\$22,536.64	\$0.00	\$250.65		\$22,285.99	
162	Terry Tasa	2001	\$8,700.97	\$0.00	\$82.22		\$8,618.75	
163	Charles Backus	2001	\$11,504.01	\$0.00		\$154.60		\$11,349.41
164	Kraus Family Trust	2001	\$17,852.63	\$0.00		\$178.71		\$17,673.92
165	VV Self Storage	2001	\$13,452.57	\$0.00		\$39.67		\$13,412.90
166	Kal Karver	2002	\$2,672.34	\$0.00		\$40.79		\$2,631.55
167	CFP Development	2002	\$57,861.48	\$0.00	\$255.54		\$57,605.94	
168	Le or Ks Rogers	2002	\$3,547.55	\$0.00		\$51.83		\$3,495.72
169	Christian Care	2003	\$19,442.00	\$0.00	\$194.65		\$19,247.35	
170	Backus Family Inv	2003	\$79,608.00	\$0.00	\$44.14		\$79,563.86	
171	Yavapai College	2003	\$0.00	\$21,021.00		\$0.00		\$21,021.00
172	Christian Care	2003	\$0.00	\$9,270.00	\$0.00		\$9,270.00	
173	GRL Inc	2003	\$0.00	\$82,148.00	\$0.00		\$82,148.00	
174	K or J Kamps	2004	\$0.00	\$4,734.00	\$0.00		\$4,734.00	
175	CW Ctwd Prop	2004	\$0.00	\$135,580.00	\$0.00		\$135,580.00	
176	ML Nielsen	2004	\$0.00	\$3,688.00	\$0.00		\$3,688.00	
177	Anthony Anduiza	2004	\$0.00	\$4,916.00		\$0.00		\$4,916.00
178	Arcie Rogers	2005	\$0.00	\$11,044.00		\$0.00		\$11,044.00
179	Villas on Elm	2005	\$0.00	\$184,050.00	\$0.00		\$184,050.00	

EXHIBIT B

EXHIBIT B

Arizona Corporation Commission Documentation

The following ACC documents related to the Cottonwood Water Works franchise areas are referenced below and included as EXHIBIT B.

Map Nos. 26 and 31

Decision No. 2769 dated May 15, 1926

Decision No. 19350, dated January 19, 1950

Decision No. 19909, dated October 17, 1950

Decision No. 19995, dated December 1, 1950

Decision No. 20004, dated December 8, 1950

Decision No. 20065, dated January 8, 1951

Decision Nos. 20131 and 20131A, both dated February 20, 1951

Decision No. 29259, dated on or about October 13, 1955

Decision No. 29609, dated May 2, 1956

Decision No. 39641, dated September 10, 1968

Decision No. 35274, dated on or about June 26, 1964

Decision No. 41626, dated September 23, 1971

Decision No. 54307, dated January 3, 1985 (misdated January 3, 1984 on the signature page)

Decision No. 54547, dated June 6, 1985

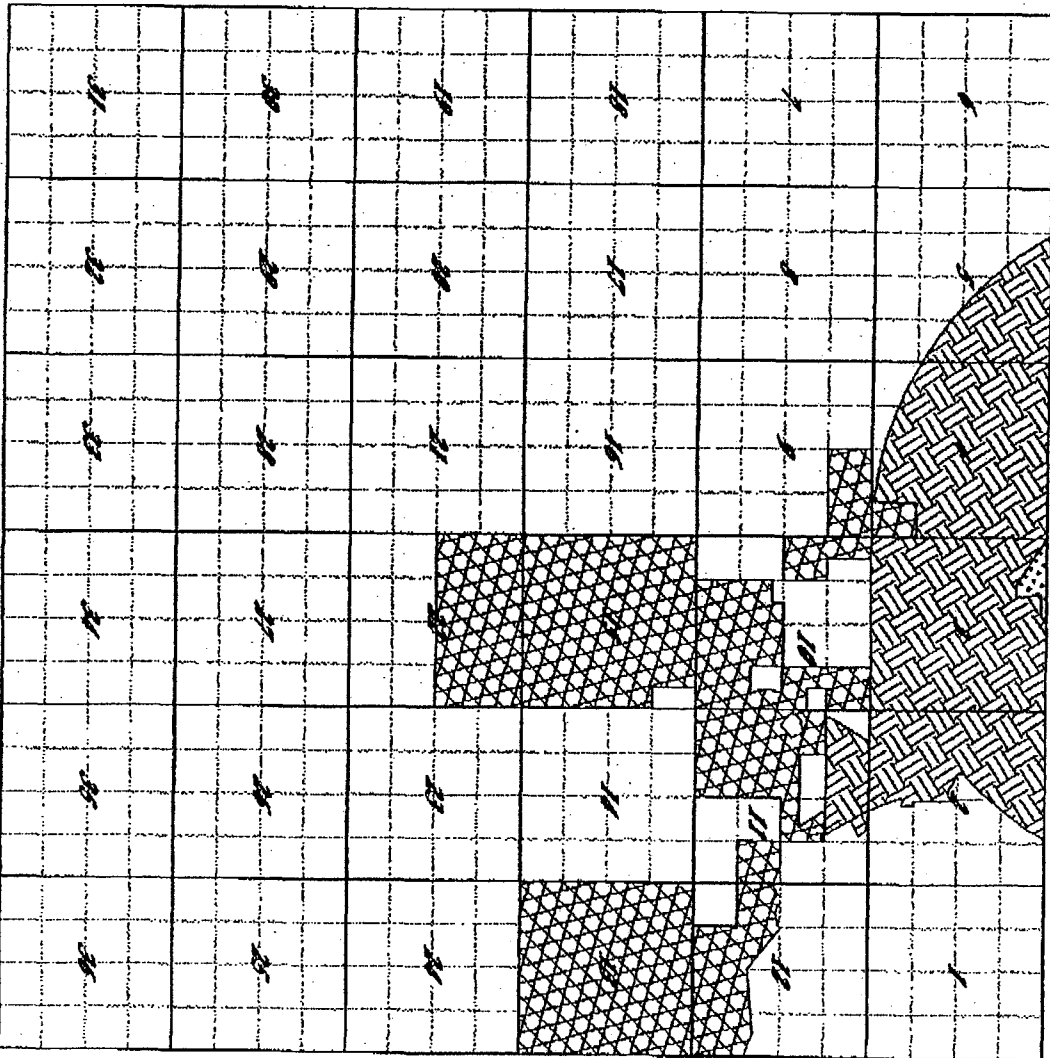
Decision No. 40492(?), dated February 9, 1970

Decision No. 56505, dated June 7, 1989




Decision No. 57369, dated May 1, 1991

COUNTY of Hawaii

RANGE 3 East



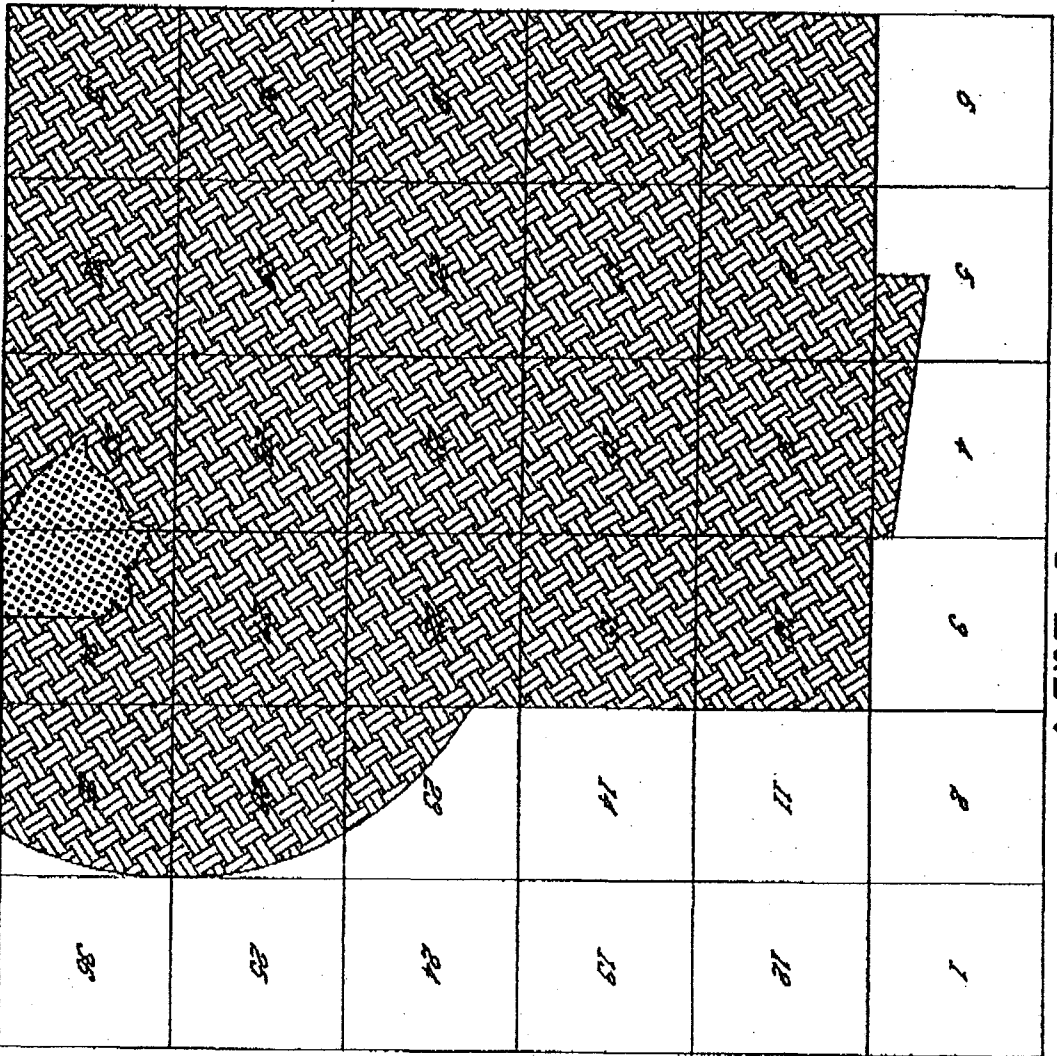
TOWNSHIP 15 North

-  W-1278 (2)
Clemenceau Water Company
-  W-2060 (3)
Cordes Lakes Water Company
(Verde Village)
-  W-1045 (2)
Cottonwood Water Works, Inc.

COUNTY: Yavapai

Map No. 31

RANGE 3 East



TOWNSHIP 16 North



U-1278 (2)



Clemenceau Water Company



E-1045 (2)

Cottonwood Water Works, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF THE COTTONWOOD WATER
WORKS FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO
OPERATE A WATER UTILITY IN COTTONWOOD AND VICINITY.

DOCKET NO. 2883-T-264.

DECISION NO. 2769

OPINION AND ORDER.

BY THE COMMISSION:

This is an application of the Cottonwood
Water Works for a Certificate of Convenience and Necessity
to operate a water utility in Cottonwood and Vicinity.

After due notice hearing was held in the
offices of the Commission at Phoenix on February 27, 1926.

Mr. Charles D. Willard, the applicant, appear-
ed in person and testified that: Cottonwood is an unincor-
porated town of about 500 population located in the Verde
Valley in the Jerome Mining District. Farming lands surround
the town, but its chief function is to provide homes for the
employees of the nearby mines and smelters. The ability of
the applicant to successfully operate a water utility has been
demonstrated by his successful operation of this plant during
the past nine years. The evidence shows conclusively that
his plant is a public convenience and necessity.

Mr. Willard wishes to continue in effect the
flat rates charged at present with the addition of several new
classifications to be later presented to the Commission for its
approval. The present rates are:

Residence.....	\$1.75 per mo.
Stores & Barber Shops.....	2.00 "

Eating Houses & Restaurants.....	\$3.00 per mo.
Garages.....	4.25 "
Pool Halls.....	3.00 "

IT IS ORDERED: That the application of the Cottonwood Water Works for a Certificate of Convenience and Necessity to operate a water utility in Cottonwood and Vicinity be and the same is hereby granted.

IT IS FURTHER ORDERED: That the present flat rates be continued in effect.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

[Signature]
 Secretary
[Signature]
 ASSISTANT SECRETARY

Arizona Corporation Commission

FILED

MAY 15 1926

Dated at Phoenix, Arizona,
 this 15th day of May, 1926.

[Signature]
 By *[Signature]* Secretary

Arizona Corporation Commission
DOCKETED

BEFORE THE ARIZONA CORPORATION COMMISSION

JAN 13 1950

In the Matter of the application of
BESSIE M. SILER, dba CLEMENCEAU WATER
COMPANY, for a certificate authorizing
operation of a domestic water system
within a radius of $1\frac{1}{4}$ miles from the
intersection of Avenue C and Second Street
in Clemenceau, Arizona, excluding all that
portion of said area embraced within the
towns of Cottonwood and Verde Heights.

Docket No.

Decision No.

OPINION AND ORDER

The applicant, Bessie M. Siler dba Clemenceau Water Company, filed herein her application as above set forth, and said application was duly noticed for a public hearing, and heard by the Commission, on January 12, 1950. Albert H. MacKenzie and Yale McFate appeared for applicant and K. Norton appeared in opposition for Cottonwood Water Works. Evidence, oral and documentary, was introduced and the parties rested their case.

Based on such evidence and the files and records of the Commission, the Commission finds that the public convenience and necessity require the continuance by the applicant of her said domestic water system within the area hereinafter designated; that the applicant is financially able, ready and willing to serve the public within said area.

NOW THEREFORE, IT IS ORDERED that upon filing with this Commission of a franchise from the County of Yavapai as provided by Section 69-235 Arizona Code, a certificate of public convenience and necessity be granted the applicant authorizing the operation and maintenance of a domestic water system within the following described territory:

Within a radius of $3/4$ miles from the center of the intersection of Avenue C and Second Street, in the Town of Clemenceau, Yavapai County, Arizona, excluding the following areas:

- (a) All that portion of such area that lies to the east of a line running north and south bisecting Section 34, Township 16 North, Range 3 East of the G&SRB&M, Yavapai County;

- (b) All that portion of such area lying north of the wash described as Del Monte Gulch or Blow Out Creek;
- (c) All that portion of said area lying to the north of the edge of the Clemenceau plateau or mesa which roughly follows a contour line of 3,350' as shown on Geological Survey map "Mingus Mountain Quadrangle 1947";

said excluded areas to include all those portions of the town of Cottonwood, its subdivisions and additions presently being served by Cottonwood Water Works.

The Commission further finds that the applicant and her predecessors in interest have for approximately 34 years continuously served domestic water within said area through said water works system; that the public convenience and necessity require the continuance thereof; that in the interim until said franchise be granted, the applicant be and she is hereby granted the right and privilege of maintaining and operating said water system as it now exists.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary of the Arizona Corporation Commission, have hereunto affixed the seal of the Arizona Corporation Commission, at the Capitol, in the City of Phoenix, State of Arizona, this 19th day of January, 1950.

Copies sent 1-24-50 to - Mel D. Michael
 Mel D. Michael
 Secretary
Walter H. MacKenzie
 W. H. MacKenzie
 Chairman
Mrs. Bessie M. Siler
 Bessie M. Siler
 Commissioner
Yvesport Co. St. Sup.
 Yvesport Co. St. Sup.
Mr. Linnell
 Mr. Linnell
Mel D. Michael
 Mel D. Michael

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF CHARLES D. WILLARD FOR CONFIRMATION OF SALE OF COTTONWOOD WATER WORKS.

DOCKET NO. 9975-E-1045

DECISION NO. 19909

OPINION AND ORDER

BY THE COMMISSION:

Application was filed on October 13, 1950 by Charles D. Willard, dba Cottonwood Water Works, asking for confirmation and approval of sale of Cottonwood Water Works and transfer of the certificate of convenience and necessity to Alice Hancock, Emma L. Farley and Jennie W. Garrison. ✓

From the records and files in the matter, it appears that on May 31, 1940, Charles D. Willard did, by instrument designated "Bill of Sale", sell and convey to Alice Hancock, Emma L. Farley and Jennie W. Garrison, all of his right, title and interest in and to said Cottonwood Water Works in all of its aspects, including all lands, franchises, certificates of convenience and necessity and accounts receivable, and since May 31, 1940 the Company has been operated by Alice Hancock, Emma L. Farley and Jennie W. Garrison.

WHEREFORE, IT IS ORDERED that the application be and the same is hereby approved as prayed for.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol, in the City of Phoenix, this 17th day of October, 1950.

MEL D. MICHAEL
SECRETARY

By Assistant Secretary

Copies sent 10-17-50 to -
Charles D. Willard
Emma L. Farley
Jennie W. Garrison
Arizona Co. Bd. Sup.
Mr. J. J. Sullivan
and
Asst. Sec.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ALICE HANCOCK, EMMA L. FARLEY AND JENNIE W. GARRISON, DBA COTTONWOOD WATER WORKS, BY ERSEL GARRISON, ITS MANAGER, FOR AN ORDER OF THE COMMISSION MODIFYING ITS ORDER AND DECISION NO. 19350.

U-1278
DOCKETS. NO. 9975-E-1045 ✓

OPINION AND ORDER

BY THE COMMISSION:

Application in the above entitled matter was filed with the Commission on November 29, 1950 praying that it review the case insofar as it relates to the allocation of territory as the same is set out in Decision No. 19350, and if the Commission finds, as applicants represent that the allocation so made was not then and is not now for the best interests of the public, that it modify its order of January 19, 1950, Decision No. 19350.

It appearing from the report of agents of the Commission, who on April 25, 1950, inspected the territory in question, and from the record in the case that good reasons have been shown and exist for further proceedings in the matter and it further appearing that no final certificate of convenience and necessity has to date, been issued to Bessie M. Siler, dba Clemenceau Water Company.

IT IS ORDERED that the case be and the same is hereby re-opened for further proceedings in the matter and to afford members of the Commission opportunity to inspect the territory in question. Hearing on the matter will be held on Tuesday, December 12, 1950 beginning at the hour of 10:00 o'clock A. M. of said day in the Court Room of the Justice of the Peace in Cottonwood, Arizona.

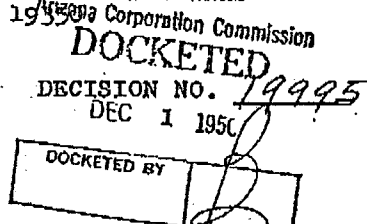
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL, D. MICHAEL, Secretary of the Arizona Corporation Commission, have hereunto set my hand and affixed the official seal of this Commission, at the Capitol, in the City of Phoenix, this 1st day of December, 1950.

MEL D. MICHAEL
SECRETARY

William T. Brooks

W. T. Brooks



BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ALICE HANCOCK, EMMA L. HARTY AND JENNIE W. GARRISON, DBA COTTONWOOD WATER WORKS, BY EREZ GARRISON, ITS MANAGER, FOR AN ORDER OF THE COMMISSION MODIFYING ITS ORDER AND DECISION NO. 19350.

U-1278
DOCKET NO. 9975-E-1045

DECISION NO. 20065

ORDER DENYING APPLICATION
TO DISMISS PROCEEDINGS

BY THE COMMISSION:

Application was filed on January 5, 1951, by *Bessie* M. Siler, dba CLEMENCEAU WATER COMPANY, seeking dismissal of proceedings initiated by an order of this Commission, Decision No. 19995 of date of December 1, 1950.

Having given due consideration to matters recited in said application, and being fully advised, the Commission is of the opinion that no good reasons have been shown or exist for dismissing such proceedings.

IT IS ORDERED, that the application be and it is hereby denied.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol, in the City of Phoenix, this 8th day of January, 1951.

Mel D. Michael
MEL D. MICHAEL
SECRETARY

jc
Copies sent 1-9-51 to:
Male M. Tate
Albert Mackenzie
Mrs. Siler
Mr. Crawford
Mr. Garrison
Mr. Linsille
Mel @
Jedick

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
ALICE HANCOCK, EMMA L. FARLEY AND
JENNIE W. GARRISON, DBA COTTONWOOD
WATER WORKS, BY ERSEL GARRISON, ITS
MANAGER, FOR AN ORDER OF THE COM-
MISSION MODIFYING ITS ORDER AND DEC-
ISION NO. 19350.

DOCKET NOS. U-1278
9975-E-1045

OPINION AND ORDER
DECISION NO. 20131

Arizona Corporation Commission
FEB 20 1951

On December 1, 1950, on application of Alice Hancock,
Emma L. Farley and Jennie W. Garrison, dba Cottonwood Water Works,
the Commission reopened, for further proceedings, the matters set
forth and determined in its Opinion and Order of January 19, 1950,
Docket No. U-1278, Decision No. 19350, and set the same for public
hearing on January 30, 1951 at Cottonwood. Prior to said hearing,
Commissioners Wright and Sims made a personal inspection of the
territory involved.

At said hearing the said applicants appeared in person
and by their attorney, A. M. Crawford, and Bessie M. Siler, dba
Clemenceau Water Company, appeared in person and by her attorney,
Yale McFate.

Further evidence, oral and documentary, was introduced by
both parties, and at the conclusion of the hearing, the matter was
taken under advisement by the Commission. Now, after due consideration,
the Commission finds that the Opinion and Order heretofore made and
entered on January 19, 1950, Docket No. U-128, Decision No. 19350,
is fair, equitable, and in the public interest, and said Opinion
and Order is hereby affirmed.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary of the
Arizona Corporation Commission, have hereunto affixed
the official seal of the Commission, at the Capitol,
in the City of Phoenix, State of Arizona, this 20 day
of February, 1951.

Secretary

Copies sent 2-20-51 to -
Mr. Siler
Mr. McFate
Mr. Garrison
Mr. Crawford
Mr. Hancill
Mr. [unclear]
[unclear]

BEFORE THE ARIZONA CORPORATION COMMISSION

IN REPLY TO THE APPLICATION OF ALICE HAWCOCK, EDNA L. FARLEY
AND JENNIE W. GARRISON, DBA COTTONWOOD WATER WORKS, BY BESSIE
SILER, DBA CLEMENCEAU WATER COMPANY, FOR AN ORDER OF THE COMMISSION MODIFYING ITS
OPINION AND DECISION NO. 19350. 20131A

DOCKET NO. U-1273

9975-E-1045

OPINION AND ORDER

Arizona Corporation Commission
DECISION AND ORDER
DOCKETED

FEB 20 1951

BEFORE THE COMMISSION:

On December 1, 1950, on application of Alice Hancock, Edna L. Farley and Jennie W. Garrison, dba Cottonwood Water Works, the Commission reopened, for further proceedings, the matters set forth and determined in its Opinion and Order of January 19, 1950, Docket No. U-1273, Decision No. 19350, and set the same for public hearing on January 30, 1951 at Cottonwood. Prior to said hearing, Commissioners Wright and Sizoo made a personal inspection of the territory involved.

At said hearing the said applicants appeared in person and by their attorney, A. M. Crawford, and Bessie M. Siler, dba Clemenceau Water Company, appeared in person and by her attorney, Yale Kato.

Further evidence, oral and documentary, was introduced by both parties, and at the conclusion of the hearing, the matter was taken under advisement by the Commission. Now, after due consideration, the Commission finds that the Opinion and Order heretofore made and entered on January 19, 1950, Docket No. U-1273, Decision No. 19350, is fair, equitable, and in the public interest, and said Opinion and Order is hereby affirmed, and it appearing from the records and files in the case that under date of June 5, 1950, a franchise was granted to said Bessie M. Siler, dba CLEMENCEAU WATER COMPANY, authorizing the construction, maintenance and operation of a water distribution system within the area described in such franchise and as described in the Commission's order of January 19, 1950, Decision No. 19350.

IT IS THE ORDER AND DECISION of this Commission that said Bessie M. Siler, dba CLEMENCEAU WATER COMPANY, has complied with

ORDER NO. 1-1374

DECISION NO. 20131-A

9975-E-1045

all requirements of the Commission and with the statutes of the State of Arizona for the issuance of a certificate of convenience and necessity, and accordingly, the application of said Bessie M. [redacted] THE CLINTON-WATSON WATER COMPANY, is hereby approved, and this approval shall constitute, as contemplated by the Statutes of Arizona, a certificate of convenience and necessity authorizing a public water service within the territory as described in the franchise and in the Commission's order and decision No. 19350, which by reference is made a part hereof the same as if incorporated herein.

The schedule of rates as set out in the application is approved.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol, in the City of Phoenix, this 20th day of February, 1951.

MEL D. MICHAEL
SECRETARY

Copies sent 2-20-51

Mrs. Liles
Mr. McFate
Mr. Garrison
Mr. Crawford
Maricopa Co. Bd. Sup.
Mr. Linnell
Paul D.
Shackel

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF ALICE HANCOCK, EMMA L. FARLEY
AND JENNIE W. GARRISON, DBA COTTONWOOD WATER WORKS, BY ERSIE
GARRISON, ITS MANAGER, FOR AN ORDER OF THE COMMISSION MODIFYING
ITS ORDER AND DECISION NO. 19350.

U-1278
DOCKETS NO. 9975-E-1045

DECISION

ORDER CONTINUING AND POSTPONING HEARING

BY THE COMMISSION:

By its order, the Commission scheduled a hearing
in the above entitled matter in Cottonwood, Arizona on
December 12, 1950.

Subsequently and on December 7, 1950, Bessie M.
Siler, dba CLEMENCEAU WATER COMPANY, petitioned for a contin-
uance or postponement of the matter, and it appearing that
good reasons have been shown why the matter should be postponed,

IT IS ORDERED, that hearing in the matter be and it
is hereby postponed to a date later to be determined by the
Commission and notice given as provided by law.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary
of the Arizona Corporation Commission, have here-
unto set my hand and caused the official seal of
this Commission to be affixed, at the Capitol, in
the City of Phoenix, this 8th day of December, 1950.

MEL D. MICHAEL
SECRETARY

CHAIRMAN

COMMISSIONER

COMMISSIONER

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF W. ERSEL GARRISON AND JENNIE W. GARRISON, HUSBAND AND WIFE, FOR APPROVAL OF THE TRANSFER TO THEM OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY HERETOFORE ISSUED TO COTTONWOOD WATER WORKS.

DECISION NO. 9975-E-1045

DECISION NO. 29257
ARIZONA CORPORATION COMMISSION
DOCKETED

OPINION AND ORDER

BY THE COMMISSION:

Notice having been given as provided by law, the above entitled matter came on for hearing before the Commission on October 13, 1955 in Phoenix, Arizona.

Applicants, W. Ersel Garrison and Jennie W. Garrison, were represented by their attorney, A. M. Crawford. There was no appearance in opposition to the application.

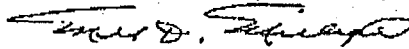
From the testimony presented, and from the records and files in the matter, it appears that the initial certificate of convenience and necessity was issued to Charles D. Willard, dba Cottonwood Water Works, and was by him transferred to Alice Hancock, Emma L. Farley and Jennie W. Garrison, pursuant to an order of approval entered by this Commission on October 17, 1950. From that date to and including the present time W. Ersel Garrison, one of the applicants herein, has been the active manager of said water works. It further appears that W. Ersel Garrison and Jennie W. Garrison, husband and wife, have now acquired the interests of the former holders of the certificate, that is, Alice Hancock and Emma L. Farley, and are now and have been operating the water system.

It further appears that the applicants are financially able to maintain and operate said water system in accordance with the provisions of the certificate of convenience and necessity and the statutes of the State of Arizona and with the rules and regulations of this Commission, and hereby agree to do so.

WHEREFORE, IT IS ORDERED that the application be, and the same is hereby approved as prayed for.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 11th day of October, 1955.



MEL D. MICHAEL
SECRETARY

Copies sent to -

W. Errel Harrison + Jennie W. Harrison

O. M. Crawford, atty

Yavapai Co. Bd of Sup.

Bur. of San.

Secretary
Rochester

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF W. ERSEL GARRISON AND JENNIE W. GARRISON, DBA COTTONWOOD WATER WORKS, FOR REDISTRIBUTION AND ASSIGNMENT OF TERRITORY TO BE SERVED BY APPLICANTS AND GEORGE SILER, DBA CLEMENCEAU WATER WORKS, IN YAVAPAI COUNTY.

DOCKET NO. 9975-E-1045

DECISION NO. 29609

OPINION AND ORDER

BY THE COMMISSION:

On September 29, 1955 the above entitled application was filed in this office and the matter was set for hearing for October 13, 1955. On October 8, 1955 the matter was postponed indefinitely. On April 13, 1956 the matter was again set to be heard on May 4, 1956.

On April 24, 1956 a letter was received in this office from Sam J. Head, attorney for and on behalf of Clemenceau Water Works, asking that the application be withdrawn and the case be dismissed and notice of hearing thereof be vacated.

WHEREFORE IT IS ORDERED, that the application be withdrawn and the case is hereby dismissed, and the hearing set for May 4, 1956 at 11:00 o'clock A. M. at the Court House in Prescott, Arizona, is hereby cancelled.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, MEL D. MICHAEL, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 2nd day of May, 1956.

MEL D. MICHAEL
SECRETARY

Copies sent 5-3-56 to:
Mrs. & Mrs. Ersel Garrison
Bessie M. Siler
Geo. Siler
With Quail
Sam Head
Yavapai Co. Bd. Sup.
Secretary
Post

DOCKETED

BEFORE THE ARIZONA CORPORATION COMMISSION

SEP 10 1968

E. T. "EDDIE" WILLIAMS, JR.

Chairman

DICK HERBERT

Commissioner

MILTON J. HUSKY

Commissioner

DOCKETED BY	ee
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IN THE MATTER OF THE APPLICATION OF CLARKDALE REALTY, INC.,
AN ARIZONA CORPORATION, FOR AN ORDER AUTHORIZING SALE OF FACIL-
ITIES AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY
TO ERSEL GARRISON DBA COTTONWOOD WATER WORKS.

9975-R-1045
DOCKETS NO. 10012-E-1082

DECISION NO. 39641OPINION AND ORDER

BY THE COMMISSION:

The above matter came on for hearing before the
Commission at Flagstaff, Arizona on August 30, 1968.

Evidence was adduced at the hearing and from that
evidence it is found:

1. That applicant desires to transfer the certifi-
cate of convenience and necessity and sell the physical assets
of the utility to Cottonwood Water Works.

2. That said sale and transfer is in the public
interest.

WHEREFORE, IT IS ORDERED that the application be,
and it is hereby, approved and granted as prayed for.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, CHARLES D. HADLEY,
Secretary of the Arizona Corporation Commission,
have hereunto set my hand and caused the official
seal of this Commission, to be affixed at the
Capitol in the City of Phoenix, this 10th day
of September, 1968.

Charles D. Hadley
CHARLES D. HADLEY
SECRETARY

on 9-10-68.

copies mailed to
M.C. Lindner, P.O. 90 Farmer Field.
Ersel Garrison
John M. Farmer
Keith Quail
State Health Dept. Plt. office
L.A. - [unclear]

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE PETITION OF CLARKDALE REALTY, INC., AN ARIZONA CORPORATION FOR APPROVAL OF THE UTILITY TO SELL AND TRANSFER THAT PORTION OF ITS SYSTEM SERVING ONLY THE TOWN OF JEROME, A MUNICIPAL CORPORATION.

DOCKET NO. 10013-2-1061

DECISION NO. 35274

OPINION AND ORDER

Arizona Corporation Commission

DOCKETED

BY THE COMMISSION:

The foregoing application for transfer came on to be heard before this Commission on May 18, 1964.

JUN 26 1964
DOCKETED BY

Applicants were represented by H. Salmon II, attorney, of the Law firm of Jennings, Stromes, Salmon & Trask, and there was no appearance in opposition to the granting of the application.

At the hearing the following facts were established by testimony:

1. The Agreement for Sale was executed and delivered by mutual agreement between the parties.
2. The entire assets of that portion of the certificated area of the private utility serving the Town of Jerome, a municipal corporation, were sold and delivered and all consumers requiring water service in the area covered by that portion of the certificate of convenience and necessity were being served. That the City of Jerome has undertaken to render water service to all present and future consumers in said area of the portion of the system being sold.

That the Commission being fully advised by Robert W. Pickrell, the Attorney General of the State of Arizona, on January 8, 1962, Opinion No. 43-7, as to its legal jurisdiction; that said opinion is binding upon this Commission and in pursuance thereof, the following Decision and Order is hereby rendered:

IT IS ORDERED that the Arizona Corporation Commission lacks jurisdiction upon the petition herein filed as to approval or disapproval of the consideration for the sale or terms of sale of Clarkdale Realty, Inc., assets to the Town of Jerome, a municipal corporation.

IT IS FURTHER ORDERED that the Arizona Corporation Commission having jurisdiction in some aspects to the application and as to that jurisdiction finds those conditions complied with and have been satisfied and in the best interest of the public, hereby grants the petition of the said utility to sell its assets of that portion of the system serving the

DOCKET NO. 10012-E-1082

DECISION NO. 35274

Town of Jerome, a municipal corporation, to the Town of Jerome and orders a suspension of the obligations of the said utility, in that portion of its certificated area and its certificate of convenience and necessity in that portion of its certificated area be held inoperative and in abeyance pending final payment and performance of the sales agreement between said public utility and the said Town of Jerome.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, S. C. CORBETT, Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission, to be affixed at the Capitol in the City of Phoenix, this 26th day of June, 1964.

S. C. Corbett
S. C. CORBETT
SECRETARY

Jack B. Bussell
CHAIRMAN

COMMISSIONER

Edwin J. Quinn
COMMISSIONER

REPORT THE ARIZONA CORPORATION COMMISSION

E. T. "BUD" WILLIAMS, JR.

Chairman

DICK HENNING

Commissioner

MILTON J. HENRY

Commissioner

DOCKETED

SEP 10 1968

DOCKETED BY

22

IN THE MATTER OF THE APPLICATION OF CLARKDALE REALTY, INC.,
AN ARIZONA CORPORATION, FOR AN ORDER AUTHORIZING SALE OF FACIL-
ITIES AND TRANSFER OF CERTIFICATE OF CONVENIENCE AND NECESSITY
TO HAZEL GARRISON IRRIGATION COTTONWOOD WATER WORKS.

9975-B-1005
DOCKET NO. 10012-B-1002

DECISION NO. 39641

OPINION AND ORDER

BY THE COMMISSION:

The above matter came on for hearing before the
Commission at Flagstaff, Arizona on August 30, 1968.

Evidence was adduced at the hearing and from that
evidence it is found:

1. That applicant desires to transfer the certifi-
cate of convenience and necessity and sell the physical assets
of the utility to Cottonwood Water Works.
2. That said sale and transfer is in the public
interest.

WHEREFORE, IT IS ORDERED that the application be,
and it is hereby, approved and granted as prayed for.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

IN WITNESS WHEREOF, I, CHARLES D. HADLEY,
Secretary of the Arizona Corporation Commission,
have hereunto set my hand and caused the official
seal of this Commission, to be affixed at the
Capital in the City of Phoenix, this 10th day

[Handwritten signature]
Commissioner

BEFORE THE ARIZONA CORPORATION COMMISSION

RUSSELL WILLIAMS
Chairman
CHARLES H. GARLAND
Commissioner
AL FARON
Commissioner

IN THE MATTER OF THE APPLICATION OF QUEEN CREEK LAND & CATTLE CORPORATION, AN ARIZONA CORPORATION, DBA CORDES LAKES WATER COMPANY, FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO SERVE ADDITIONAL TERRITORY DESCRIBED HEREINAFTER, AND THE REQUEST OF COTTONWOOD WATER WORKS FOR THE DELETION OF A SMALL AREA INCLUDED IN ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.

U-2060
DOCKETS NO. 9975-E-1045

DECISION NO. 41626

OPINION AND ORDER

BY THE COMMISSION:

On June 24, 1971, this Commission heard the application of Queen Creek Land & Cattle Corporation, an Arizona corporation, dba Cordes Lakes Water Company, for a certificate of convenience and necessity covering a large area, and which area included the East 1045 feet of the South Half ($S\frac{1}{2}$) of the Southeast Quarter ($SE\frac{1}{4}$) of Section 4, Township 15 North, Range 3 East, G&SRB&M, Yavapai County, Arizona, and on which a certificate of convenience and necessity to serve water was held by Cottonwood Water Works, a corporation.

On July 30, 1971, this Commission issued Decision No. 41495, in Docket No. U-2060, which granted a certificate of convenience and necessity to Queen Creek Land & Cattle Corporation, dba Cordes Lakes Water Company, to serve an additional area and as fully set forth and described in Decision No. 41495, but did not include the East 1045 feet of the South Half ($S\frac{1}{2}$) of the Southeast Quarter ($SE\frac{1}{4}$) of *E 1045' S²SEA* Section 4, Township 15 North, Range 3 East, G&SRB&M, Yavapai County, Arizona.

On August 18, 1971, an Affidavit of Statement of Deletion was received in the Utilities Division of this Commission from Ersel Garrison, President of Cottonwood Water Works, consenting to the deletion of the East 1045 feet of the South Half ($S\frac{1}{2}$) of the Southeast Quarter ($SE\frac{1}{4}$) of Section 4, Township 15 North, Range 3 East, G&SRB&M, Yavapai

U-2060
DOCKETS NO. 9975-E-1045

DECISION NO. 41626

County, Arizona, from the certificate of convenience and necessity of Cottonwood Water Works in favor of Queen Creek Land & Cattle Corporation, dba Cordes Lakes Water Company.

The Commission is of the opinion that the granting of the deletion of the aforementioned area from the certificate of convenience and necessity of Cottonwood Water Works, and the granting of same area to Queen Creek Land & Cattle Corporation, dba Cordes Lakes Water Company, would be in the public interest.

WHEREFORE, IT IS ORDERED that the area described as the East 1045 feet of the South Half ($S\frac{1}{2}$) of the Southeast Quarter ($SE\frac{1}{4}$) of Section 4, Township 15 North, Range 3 East, Yavapai County, Arizona, is hereby deleted from the certificated area heretofore issued by this Commission to Cottonwood Water Works.

IT IS FURTHER ORDERED that the remainder of the certificates of convenience and necessity heretofore issued by this Commission to Cottonwood Water Works shall remain in force and effect as issued.

IT IS FURTHER ORDERED that this order shall constitute and be a certificate of convenience and necessity, pursuant to §40-281, Arizona Revised Statutes, authorizing Queen Creek Land & Cattle Corporation, an Arizona corporation, dba Cordes Lakes Water Company, to construct, operate and maintain a domestic public water system in the area described as the East 1045 feet of the South Half ($S\frac{1}{2}$) of the Southeast Quarter ($SE\frac{1}{4}$) of Section 4, Township 15 North, Range 3 East, G&SRB&M, Yavapai County, Arizona.

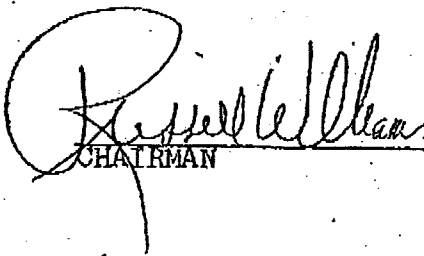
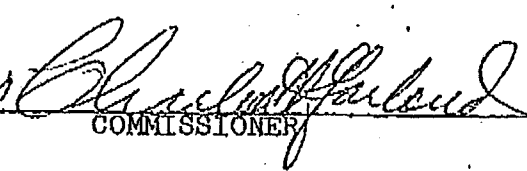
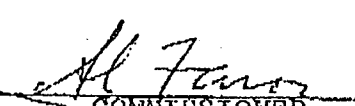
IT IS FURTHER ORDERED that the rates heretofore approved by this Commission for Queen Creek Land & Cattle Corporation, an Arizona corporation, dba Cordes Lakes Water Company, are hereby approved and shall apply in the above-

U-2060
DOCKET NO. 9975-E-1045

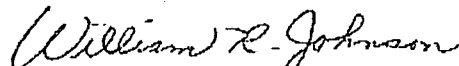
DECISION NO. 41626

mentioned area.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

  
CHAIRMAN COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, WILLIAM R. JOHNSON, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 23rd day of September, 1971.


WILLIAM R. JOHNSON
EXECUTIVE SECRETARY

DOCKETED

JAN - 3 1985

BEFORE THE ARIZONA CORPORATION COMMISSION

1 RICHARD KIMBALL
CHAIRMAN
2 JUNIUS HOFFMAN
COMMISSIONER
3 MARIANNE M. JENNINGS
COMMISSIONER
4

DOCKETED BY

C.M.

5 IN THE MATTER OF THE JOINT APPLICATION)
6 OF CLEMENCEAU WATER COMPANY, INC., AND)
7 COTTONWOOD WATER WORKS, INC., FOR)
8 APPROVAL OF THE TRANSFER TO COTTONWOOD)
9 WATER WORKS, INC. OF A SMALL PORTION)
10 OF THE CC&N AND WATER DISTRIBUTION)
11 FACILITIES OF CLEMENCEAU WATER COMPANY,)
12 INC. IN YAVAPAI COUNTY, ARIZONA.)

DOCKET NO. U-1278-84-178
& E-1045-84-178

DECISION NO. 54307

OPINION AND ORDER

DATE OF HEARING: November 27, 1984

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Jerry L. Rudibaugh

13 APPEARANCES: Evans, Kitchel & Jenckes, P.C., by Lex J. Smith,
14 Attorneys for Clemenceau Water Company, Inc., and
15 Cottonwood Water Works, Inc.

Timothy M. Hogan, Legal Division, on behalf of Arizona
Corporation Commission Staff.

BY THE COMMISSION:

17 On July 20, 1984, The Clemenceau Water Company, Inc. ("Clemenceau"), and
18 the Cottonwood Water Works, Inc. ("Cottonwood"), filed an Application with the
19 Arizona Corporation Commission ("Commission") seeking authorization to transfer
20 to Cottonwood a small portion of the Certificate of Public Convenience and
21 Necessity ("Certificate") and water distribution facilities of Clemenceau.

22 Pursuant to Notice dated November 9, 1984, the Application came on for
23 hearing before a duly authorized Hearing Officer of the the Commission at its
24 offices in Phoenix, Arizona, on November 27, 1984. Cottonwood, Clemenceau and
25 the Commission's Utilities Division Staff ("Staff") appeared through counsel
26 Evidence was presented in support of the Application and after a full public
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1 hearing, the matter was adjourned pending submission of a recommended Opinion
2 and Order by the Presiding Officer to the Commission.

3 DISCUSSION

4 Clemenceau and Cottonwood's certificated areas border each other on a
5 number of points. Because Clemenceau's certificated area is based on a radial
6 arc, there are ambiguities as to exactly where the radial line crosses various
7 properties. As a result, Clemenceau now serves some of Cottonwood's
8 certificated area and vice versa. The two companies have expressed a desire to
9 promote the most cost effective development of the area as well as make their
10 franchise descriptions more understandable. The focus of the subject
11 Application is an area west and southwest of U.S. Highway 89A in which the
12 Mingus Industrial Airpark ("Airpark") is being proposed. The Airpark will be
13 located in the same area as the Cottonwood Municipal Airport. Under the
14 present alignments of certificated areas, the Cottonwood Airport is divided
15 with Clemenceau authorized to serve one half and Cottonwood the other. There
16 are currently five (5) or six (6) customers in the area and although legally in
17 Clemenceau's certificated area, they are being served by Cottonwood.

18 Cottonwood already has a half million gallon storage tank west of the
19 proposed Airpark that was constructed for current customers and which can be
20 used to serve the Airpark. Because Clemenceau would need to add an additional
21 source of supply and storage facilities as well as the fact that they have a
22 pressurized water system while Cottonwood has a gravity fed system, it was
23 estimated the cost for Clemenceau to provide water service to the Airpark would
24 be almost \$150,000 more than Cottonwood. The two companies have reached an
25 agreement whereby Clemenceau would transfer part of its Certificate and on
26 distribution line in the area to Cottonwood and, in turn, Cottonwood would be
27 responsible for providing the water service demands of the area at no cost to
28

1 Clemenceau. There will be no exchange of monies. It is noted that at the
2 hearing, the companies expressed their intentions to submit another application
3 in the near future to transfer a small portion of Cottonwood's certificated
4 area to Clemenceau in order to more accurately reflect the actual territories
5 serviced by each utility.

6 * • * * * * *

7 Having considered all the evidence herein and being fully advised in the
8 premises, the Commission finds, concludes and orders that:

9 FINDINGS OF FACT

10 1. Clemenceau is an Arizona corporation certificated by this
11 Commission, pursuant to Decision No. 33058 (April 19, 1961), to provide water
12 utility service in certain portions of Yavapai County, Arizona.

13 2. Cottonwood is an Arizona corporation certificated by this
14 Commission, pursuant to Decision No. 40492 (February 9, 1970), to provide water
15 utility service in certain portions of Yavapai County nearby and adjacent to
16 the certificated area of Clemenceau.

17 3. Clemenceau's certificated area is based on a radial arc, and this
18 has resulted in confusion concerning where it crosses various properties.

19 4. Clemenceau and Cottonwood's certificated areas bisect the Cottonwood
20 Municipal Airport.

21 5. Clemenceau has agreed to transfer whatever water distribution
22 facilities and operating rights, including that portion of its Certificate in
23 the area west and southwest of U. S. Highway 89A to Cottonwood in consideration
24 of Cottonwood's agreement to provide the water service demands of the
25 industrial park.

26 6. The existing customers in the area proposed to be transferred are
27 presently being serviced by Cottonwood.

28 7. Ground for the proposed Airpark near the Cottonwood Airport has been

1 prepared, and utilities are in the process of being installed.

2 8. Cottonwood has a half-million gallon storage facility in use in the
3 Cottonwood Airport area and has adequate water facilities and water resources
4 to service the proposed Airpark area.

5 9. It is estimated that it would cost \$150,000 more for Clemenceau to
6 service the proposed Airpark because of their need for an additional source of
7 water supply, additional storage facilities, and expansion of their pressurized
8 water system.

9 10. There will be no affect on the service or rates to the customers in
10 the proposed area to be transferred.

11 11. There are no customer deposits or line extension agreements owing by
12 Clemenceau in the area proposed to be transferred.

13 12. The Town of Cottonwood has consented to the transfer of franchise
14 from Clemenceau to Cottonwood for that portion of Clemenceau's area which lies
15 west and southwest of U. S. Highway 89A.

16 13. Cottonwood has received approval from the Arizona Department of
17 Health Services to construct a water distribution system to serve the Airpark
18 and Cottonwood Airport.

19 14. Any construction that will be necessary to serve the new customers
20 in the area proposed to be transferred will be financed through line extension
21 agreements.

22 15. Clemenceau and Cottonwood have agreed to submit an application in
23 the near future to request a small portion of Cottonwood's franchised area east
24 and northeast of U. S. Highway 89A in which Clemenceau is currently servicing
25 to be transferred to Clemenceau.

26 CONCLUSIONS OF LAW

27 1. Clemenceau and Cottonwood are public service corporations within the
28 meaning of Article XV of the Arizona Constitution and A.R.S. Sections 40-281

1 40-282, and 40-285.

2 2. The Commission has jurisdiction over Clemenceau and Cottonwood and
3 of the subject matter of the Application.

4 3. There is a continuous need for a domestic water company to serve
5 present and future customers in Clemenceau's certificated area west and
6 southwest of U. S. Highway 89A in the Town of Cottonwood.

7 4. Cottonwood is a fit and proper entity to receive a Certificate for
8 providing of water utility service to the area west and southwest of U. S.
9 Highway 89A in the Town of Cottonwood.

10 ORDER

11 WHEREFORE, IT IS ORDERED: That Clemenceau Water Company Inc. is hereby
12 authorized to transfer its water distribution facilities and Certificate of
13 Public Convenience and Necessity for the area west and southwest of U. S.
14 Highway 89A (as shown on the map attached as Exhibit D to Applicant's Exhibit
15 A-1) in the town of Cottonwood to Cottonwood Water Works, Inc.

16 WHEREFORE, IT IS ORDERED: That the Application referred to in Finding of
17 Fact No. 15, hereinabove, shall contain a complete legal description of both
18 Clemenceau's and Cottonwood's proposed franchised areas.

19 IT IS FURTHER ORDERED: That the rates to be charged by Cottonwood Water
20 Works, Inc. to the customers in the area west and southwest of U. S. Highway
21 89A in the Town of Cottonwood shall remain the same as Cottonwood Water Works,
22 Inc. rates currently on file with the Commission.

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2 IT IS FURTHER ORDERED: That this Decision shall be effective immediately.
3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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6 Chairman
CHAIRMAN

7 Commissioner
COMMISSIONER

8 Commissioner
COMMISSIONER

9 IN WITNESS WHEREOF, I, LORRIE DROBNY,
10 Executive Secretary of the Arizona Corporation
11 Commission, have hereunto set my hand and caused the
12 official seal of this Commission to be affixed at the
13 Capitol, in the City of Phoenix, this 3 day
14 of January, 1984.

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LORRIE DROBNY
Executive Secretary

DISSENT _____

dp

BEFORE THE ARIZONA CORPORATION COMMISSION

DICK HERBERT

Chairman

CHARLES H. GARLAND

Commissioner

MILTON J. HUSKY

Commissioner

IN THE MATTER OF THE APPLICATION OF ERSEL GARRISON AND JENNIE W. GARRISON, DBA COTTONWOOD WATER WORKS, TO TRANSFER THE CERTIFICATES OF CONVENIENCE AND NECESSITY HERETOFORE ISSUED BY THIS COMMISSION TO COTTONWOOD WATER WORKS, INC., AN ARIZONA CORPORATION.

DOCKET NO. 9975-E-1045

DECISION NO. 40492
YAVAPAI

OPINION AND ORDER

BY THE COMMISSION:

TRANSFERRED TO: *Cottonwood Water Works, Inc.*

The above entitled matter came on for hearing before the Commission sitting in Cottonwood, Arizona on January 29, 1970.

Applicant was represented by its attorney, K. Norton, and there was no appearance in opposition to the granting of the application.

From the testimony presented, and the records and files in the matter, the Commission is of the opinion that the granting of the application would be in the public interest.

WHEREFORE, IT IS ORDERED that the certificates of convenience and necessity heretofore issued by this Commission to Ersel Garrison and Jennie W. Garrison, dba Cottonwood Water Works, be and the same are hereby transferred to Cottonwood Water Works, Inc., a Arizona corporation, and the application is hereby granted as prayed for.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, CHARLES D. HADLEY, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed, at the Capitol in the City of Phoenix, this 9th day of February, 1970.

BEFORE THE ARIZONA CORPORATION COMMISSION

Mabel

1 RICHARD KIMBALL
2 CHAIRMAN
3 MARCIA WEEKS
4 COMMISSIONER
5 RENZ D. JENNINGS
6 COMMISSIONER

7 IN THE MATTER OF THE JOINT APPLICATION)
8 OF CLEMENCEAU WATER COMPANY, INC., AND)
9 COTTONWOOD WATER WORKS, INC., FOR)
10 APPROVAL OF THE TRANSFER TO CLEMENCEAU)
11 WATER COMPANY, INC. OF A SMALL PORTION)
12 OF THE CC&N OF COTTONWOOD WATER WORKS,)
13 INC. IN YAVAPAI COUNTY, ARIZONA.)

DOCKET NO. U-1278-84-108

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DOCKET NO. E-1045-84-108

DECISION NO. 54547

Arizona Corporation Commission

ORDER DOCKETED

14 Open Meeting
15 June 5, 1985
16 Phoenix, Arizona

JUN 6 1985

DOCKETED BY

dmk

17 BY THE COMMISSION:

18 On April 10, 1985, Clemenceau Water Company, Inc. ("Clemenceau"), and
19 Cottonwood Water Works, Inc. ("Cottonwood"), filed an Application with the
20 Arizona Corporation Commission ("Commission") seeking authorization to transfer
21 to Clemenceau a small portion of the Certificate of Public Convenience and
22 Necessity ("Certificate") of Cottonwood. A hearing was held on a similar
23 transfer from Clemenceau to Cottonwood on November 27, 1984. As testimony at
24 that hearing supports the current Application also, it was not necessary to
25 conduct a separate hearing.

DISCUSSION

26 Clemenceau and Cottonwood's certificated areas border each other on a
27 number of points. Because Clemenceau's certificated area is based on a radial
28 arc, there are ambiguities as to exactly where the radial line crosses various
properties. As a result, there has been confusion on the boundaries for the
respective service areas. In July 1984, Clemenceau and Cottonwood filed a
joint application with the Commission seeking authorization to transfer a
portion of Clemenceau's certificated area to Cottonwood. Because of the
confusion on the boundaries, Cottonwood had been serving a portion of

1 Clemenceau's area located west and southwest of U.S. Highway 89A in Cottonwood,
2 Arizona.

3 A hearing was held on November 27, 1984 resulting in Decision No. 54307
4 (January 3, 1985) which granted the transfer of a portion of Clemenceau's
5 certificated area to Cottonwood. It was also ascertained at the hearing that
6 Clemenceau was servicing a small portion of Cottonwood's certificated area
7 north and east of U.S. Highway 89A. Since that had not been included as part
8 of the joint application and affected customers had not been notified, the two
9 companies agreed to submit a subsequent application (See Finding of Fact No. 15
10 of Decision No. 54307).

11 The Application requests authorization to transfer to Clemenceau a portion
12 of Cottonwood's certificated area located north and east of U.S. Highway 89A.
13 Clemenceau is currently servicing three customers in the requested area. The
14 affected property owners were notified of the transfer request and have not
15 objected.

16 We concur with the requested transfer in order to further clarify the
17 certificated areas. It is noted that the current rates of Clemenceau are
18 higher than those charged by Cottonwood.

19 * * * * *

20 Having considered all the evidence herein and being fully advised in the
21 premises, the Commission finds, concludes and orders that:

22 FINDINGS OF FACT

23 1. Clemenceau is an Arizona corporation certificated by this
24 Commission, pursuant to Decision No. 33058 (April 19, 1961), to provide water
25 utility service in certain portions of Yavapai County, Arizona.

26 2. Cottonwood is an Arizona corporation certificated by this
27 Commission, pursuant to Decision No. 40492 (February 9, 1970), to provide water
28 utility service in certain portions of Yavapai County nearby and adjacent to

1 the certificated area of Clemenceau.

2 3. Clemenceau's certificated area is based on a radial arc, and this
3 has resulted in confusion concerning where it crosses various properties.

4 4. Pursuant to Decision No. 54307 (January 3, 1985) Clemenceau's
5 portion of its certificated area west and southwest of U.S. Highway 89A in the
6 Town of Cottonwood was transferred to Cottonwood.

7 5. Clemenceau and Cottonwood agreed at a November 27, 1984 Commission
8 hearing to submit an application to request a small portion of Cottonwood's
9 franchised area located north and east of U.S. Highway 89A to be transferred to
10 Clemenceau.

11 6. Clemenceau is currently servicing three customers in the area
12 proposed to be transferred.

13 7. On April 10, 1985, Clemenceau and Cottonwood filed an Application
14 requesting a transfer of the following portions of Cottonwood's certificated
15 area be transferred to Clemenceau:

16
17 A. A portion of Section 3, T15N, R3E, G&SRB&M, Yavapai County, Arizona
18 commencing at the South quarter-corner of Section 34, T16N, R3E; thence
19 S61°55'40", a distance of 340.00 feet; thence WEST, a distance of 600.00
20 feet; thence SOUTH, a distance of 90.00 feet to a point which intersects
21 a curve with a radius of 3960.00 feet whose radius point is at the
22 intersection of Avenue C and Second Street in the Townsite of Clemenceau
23 and the TRUE POINT OF BEGINNING; thence continuing SOUTH, 410.00 feet;
thence EAST, 55.00 feet; thence S00°31'49"WW, a distance of 225.50 feet;
thence N89°34'14"W, a distance of 390.86 feet to the centerline of
Highway 89-A; thence N58°30'W, along said centerline, a distance of
260.00 feet to a point on said curve, which has a radius of 3960.00
feet; thence Northeasterly, along said curve to the left, a distance
of 850.00 feet to the TRUE POINT OF BEGINNING.

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B. A portion of Section 3, T15N, R3E and a portion of Section 34, T15N R3E, G&RB&M, Yavapai County, Arizona, BEGINNING at the South quarter-corner of said Section 34; thence S61°55'40"W, a distance of 340.00 feet; thence WEST, a distance of 500.00 feet to a point which intersects a curve, with a radius of 3960.00 feet, whose radius point is at the intersection of Avenue C and Second Street in the Townsite of Clemenceau; thence Northeasterly, along said curve to the left, a distance of 1310.00 feet to the North-South mid-section line of said Section 34; thence SOUTH, along said mid-section line, a distance of 760.00 feet to the POINT OF BEGINNING.

8. There are no outstanding line extension agreements or refundable deposits owing by Cottonwood in the areas proposed to be transferred.

9. The Town of Cottonwood has consented to the transfer of franchise from Cottonwood to Clemenceau for the area proposed to be transferred.

10. Clemenceau's current approved rates are as follows:

Monthly Service Rates for 2000 Gallons:

5/8" x 3/4"	\$ 9.00
3/4"	\$ 9.00
1"	\$15.00
1-1/2"	\$27.00
2"	\$35.00

\$1.25 per 1000 gallons in excess of the minimum.

11. Cottonwood's current approved rates are as follows:

Monthly Service Rates for 2000 Gallons:

5/8" x 3/4"	\$ 8.00
3/4"	\$ 8.00
1"	\$10.00
1-1/4"	\$12.00
1-1/2"	\$16.00
2"	\$21.00
3"	\$35.00
4"	\$40.00
6"	\$46.00

\$.95 per 1,000 gallons in excess of the minimum.

CONCLUSIONS OF LAW

1. Clemenceau and Cottonwood are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. §40-281, §40-282, and §40-285.

2. The Commission has jurisdiction over Clemenceau and Cottonwood and

1 of the subject matter of the Application.

2 3. There is a continuous need for a domestic water company to serve
3 present and future customers in the area proposed to be transferred.

4 4. Clemenceau is a fit and proper entity to receive a Certificate for
5 providing of water utility service to the area proposed to be transferred.

6 ORDER

7 WHEREFORE, IT IS ORDERED: That Cottonwood Water Works is hereby
8 authorized to transfer its Certificate of Public Convenience and Necessity for
9 the area described in Finding of Fact No. 7 to Clemenceau Water Company, Inc.

10 IT IS FURTHER ORDERED: That the rates to be charged by Clemenceau Water
11 Company, Inc. to the customers in the transferred area shall remain the same as
12 those rates currently being charged until further Order of the Commission.

13 IT IS FURTHER ORDERED: That this Decision shall be effective immediately.

14 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JAMES MATTHEWS,
Executive Secretary of the Arizona Corporation
Commission, have hereunto set my hand and caused the
official seal of this Commission to be affixed at the
Capitol, in the City of Phoenix, this 6 day
of June, 1985.

JAMES MATTHEWS
Executive Secretary

DISSENT
dp

DOCKETED

BEFORE THE ARIZONA CORPORATION COMMISSION

JUN 7 1989

RENZ D. JENNINGS
CHAIRMAN
MARCIA WERKS
COMMISSIONER
DALE H. MORGAN
COMMISSIONER

DOCKETED BY

CM

IN THE MATTER OF THE APPLICATION
OF COTTONWOOD WATER WORKS, INC., TO
EXTEND ITS EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY IN YAVAPAI
COUNTY, ARIZONA.

DOCKET NO. ~~8-0045-89-028~~DECISION NO. 56505ORDER

DATE OF HEARING: March 27, 1989

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Jerry L. Rudibaugh

APPEARANCES: Janice Urbanic, Staff Attorney, Legal Division,
on behalf of the Arizona Corporation Commission
Staff; and

Charles D. Garrison, President, on behalf
of Applicant, Cottonwood Water Works, Inc.

BY THE COMMISSION:

On January 31, 1989, the Cottonwood Water Works, Inc. ("Applicant"), filed an application with the Arizona Corporation Commission ("Commission") wherein Applicant requested an extension of its Certificate of Convenience and Necessity ("CC&N").

Pursuant to Notice dated March 10, 1989, this matter came before a duly authorized Hearing Officer of the Commission at the Commission's offices in Phoenix, Arizona, on March 27, 1989. Applicant appeared through its President and the Commission's Utilities Division Staff ("Staff") appeared through counsel. Evidence was presented concerning the application, and at the conclusion of the hearing, this matter was adjourned pending submission of a Recommended Opinion and Order by the Presiding Officer to the Commission.

DISCUSSION

Applicant is an Arizona corporation engaged in providing water service in Yavapai County, Arizona ("County"). The proposed CC&N extension is in the Southeast corner of the City of Cottonwood, Arizona ("City"). The CC&N extension is contiguous to Applicant's current certificated area. In fact, Applicant is currently serving approximately 25 to 30 residential customers in the contiguous area.

Applicant notified the 55 land owners in the area in question, none of whom voiced any opposition to the application. In addition to residential customers in the extension area, there is a new shopping center under construction as well as a large parcel of land that is owned by the Mingus Union High School which could be developed at a later date.

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Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. Applicant is an Arizona corporation certificated by this Commission to provide water utility service to the public in certain portions of the County.

2. On January 31, 1989, Applicant filed an application requesting permission to extend its CC&N to include a parcel adjacent to its presently certificated area and to serve said parcel under its presently authorized rates, charges, rules, regulations, and conditions of service.

3. The area proposed to be added to Applicant's CC&N includes a portion of the South Half of Section 3, a portion of the South Half of Section 2, and a portion of the North Half of Section 11, all in Township 15 North, Range 3 East, Gila and Salt River Base and Meridian, Yavapai County, Arizona, as more particularly described in Exhibit No. 1 to this Order.

4. Applicant notified all of the property owners in the requested area of its proposed application and, to date, has received no opposition.

5. Applicant currently serves approximately 30 residential customers in the requested area.

6. Applicant has obtained the necessary franchise from the City to serve the area sought by the application.

7. Applicant has the necessary technical expertise, water supplies, and financial capability to service the area sought by the application without adversely affecting existing customers.

8. No other public service corporation or municipally owned utility is currently serving the proposed area.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and of the subject matter of the application.

3. Notice of the application has been duly provided.

4. Applicant is a fit and proper entity to hold a CC&N for the additional territory sought.

5. Public need and necessity require that a CC&N be issued in this additional territory.

ORDER


IT IS THEREFORE ORDERED that the application of Cottonwood Water Works Inc., for an extension of its Certificate of Convenience and Necessity to provide water service in Yavapai County, Arizona, for the area described in the attached Exhibit No. 1 is hereby granted.

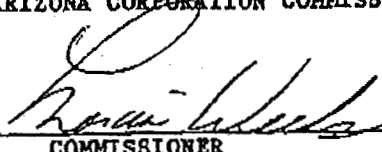
IT IS FURTHER ORDERED that the rates to be charged in this additional territory shall be the same rates as those presently authorized for Cottonwood


1 Water Works, Inc.

2 IT IS FURTHER ORDERED that this Decision shall become effective
3 immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN


COMMISSIONER


COMMISSIONER

7 IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive Secretary
8 of the Arizona Corporation Commission, have hereunto set
9 my hand and caused the official seal of this Commission to
10 be affixed at the Capitol, in the City of Phoenix, this
11 7 day of June, 1989.

12 
JAMES MATTHEWS

Executive Secretary

13 DISSENT

14 JLR/djp

Re: LEGAL DESCRIPTION - ADDITION TO FRANCHISE AREA

EXHIBIT NO. 1 - Pg. 1

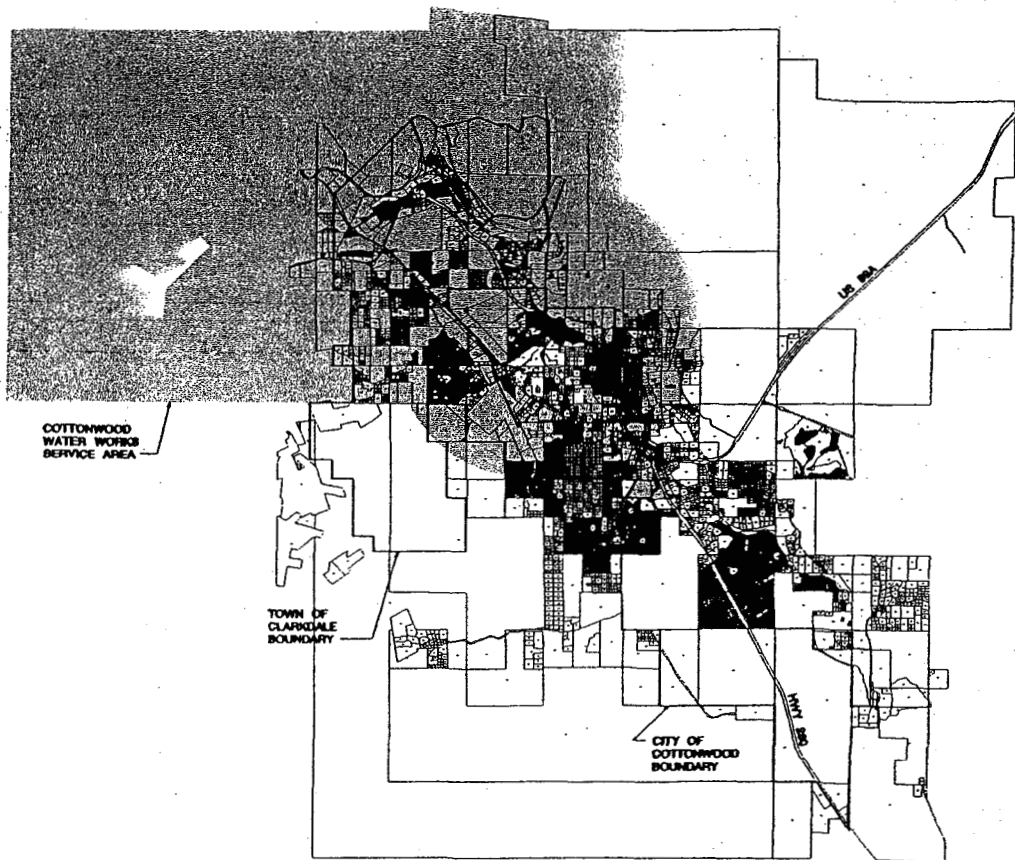
A portion of the S½ of Section 3, a portion of the S½ of Section 2 and a portion of the N½ of Section 11, all in T15N, R3E, G&SRB&M, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at the SE corner of said Section 3; thence N89°47'59"W, along the South line of said Section 3, a distance of 2661.53 feet to the South quarter-corner of said Section 3; thence N89°36'52"W, along the South line of said Section 3, a distance of 2650.26 feet to the SW corner of said Section 3, a point which lies two (2) miles from the corner common to Sections 27, 28, 33 and 34, being the radius point of the existing franchise area of Cottonwood Water Works, Inc.; thence Northeasterly, on a curve to the left, having a radius of 10,560 feet (2 miles), through a central angle of 42°25'02", a distance of 7817.80 feet to the Easterly city limit of the City of Cottonwood; thence S00°15'E, along said city limit line, a distance of 132.90 feet; thence continuing along the City of Cottonwood city limit line the following courses and distances: S60°48'E, a distance of 658.4 feet; thence N61°48'E, a distance of 290.6 feet to a point on the East line of the SW¼ of said Section 2, which lies S00°31'E, a distance of 188.3 feet from the center of said Section 2; thence S00°31'E, a distance of 1132.1 feet to the NW corner of the NW¼ SW¼ of said Section 2; thence S89°21'E, a distance of 144.0 feet; thence SOUTH, a distance of 374.4 feet; thence N78°44'W, a distance of 173.7 feet; thence S80°20'W, a distance of 87.0 feet; thence S21°12'E, a distance of 240.0 feet to a point which lies 300.0 feet Northeasterly of the Northeasterly right-of-way line of State Highway 279; thence S23°47'50"E, on a line parallel and 300.0 feet Northeasterly of the Northeasterly right-of-way line of State Highway 279, a distance of 1063.5 feet to the Northwesterly right-of-way line of Mongini Drive; thence N66°12'10"E, a distance of 50.4 feet, more or less, to a point from which the North quarter corner of Section 11, T15N, R3E, bears N63°57'25"W, a distance of 570.13 feet; thence continuing N66°12'10"E, a distance of 332.55 feet; thence S81°25'48"E, a distance of 102.09 feet; thence S59°05'07"E, a distance of 84.57 feet; thence S34°02'36"E, a distance of 96.78 feet; thence S43°04'24"E, a distance of 82.79 feet; thence S54°12'12"E, a distance of 84.30 feet; thence S66°12'10"W, a distance of 554.85 feet; thence S29°09'E, a distance of 894.0 feet, more or less, to a point on the South line of the N½ NE¼ of said Section 11, which point is 350 feet Northeasterly of the Northeasterly right-of-way line of State Highway 279; thence N89°48'W, along said South line, a distance of 1103 feet, more or less, to the North South mid-section line of said Section 11; thence N89°46'28"W, a distance

of 2458 feet, more or less, along the South line of the N $\frac{1}{2}$ NW $\frac{1}{4}$ of said Section 11, to a point 50.0 feet Westerly of the centerline of Old State Highway 279, measured perpendicularly to said centerline; thence along the line 50 feet Westerly of and parallel to said centerline, N17°05'05"E, a distance of 28.6 feet, more or less, to the beginning of a tangent curve to the right; thence continuing along the line 50 feet Westerly of and parallel to said centerline, Northeasterly along a curve to the right, having a radius of 527.46 feet, through a central angle of 14°18'00", an arc length of 131.64 feet, to a point of tangency; thence continuing along the line 50 feet Westerly of said centerline, N31°23'05"E, a distance of 1350.08 feet to the beginning of a tangent curve to the left; thence continuing along the line 50 feet Westerly of said centerline, along a curve to the left having a radius of 236.48 feet, through a central angle of 01°03'34", an arc length of 4.37 feet, to a point on the North line of said Section 11; thence S89°44'10"W, along the North line of said Section 11, a distance of 962.84 feet to the POINT OF BEGINNING.

EXHIBIT C

EXHIBIT C



SCALE : NONE

JOB NO
050018-02

SYSTEM MAP

FIGURE
1

4550 NORTH 12TH STREET
PHOENIX, ARIZONA 85014
TELEPHONE (602) 264-6831

CITY OF COTTONWOOD / TOWN OF CLARKDALE
COTTONWOOD WATER WORKS SERVICE AREA

COE & VAN LOO
PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE

EXHIBIT D

EXHIBIT D

Yard:

Company Assets to be transferred with Sale

1978 Case 580C tractor w/loader and backhoe

Serial # 8977169

Hydraulic trash pump for tractor

Wacker trench compactor

3 Wacker cut-off saws

AC pipe lathe and power head

Chain break tool

Gas Trash pump

All concrete masonry block

Concrete Meter boxes and lids

Ductile pipe in 4" - 12"

All AC pipe

All potable water pipe

**Water main fittings, hydrants, and valves
w/accessory sets and gaskets**

All equipment manuals

Office:

3 Service trucks equipped with service bodies, including tools

1985 Ford F-150, VIN# 1FTEF15Y6RLA42953

2003 Ford F-250, VIN# 1FTNF20L63EB70235

2003 Ford F-250, VIN# 1FTNF20L93EB77096

All Pumps and Motors

All Brass service fittings

All Repair Clamps

All Galvanized fittings

Meters and repair parts

Two billing computers and printers

Pipe tapping tool and power head

All copper pipe and fittings

Chlorine tanks and pumps

Pipe threader

Wheel Grinders

Drill press

Electric Trash pump

EXHIBIT E

EXHIBIT E

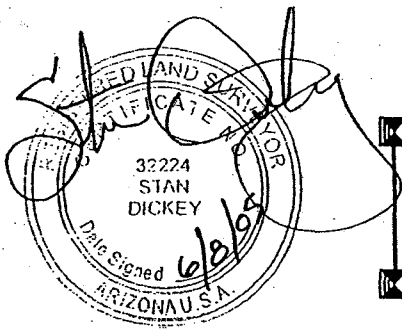
Property

The following parcels are included in the sale of property assets.

Clarkdale:	406-27-005B	Clarkdale Well #3, 89A Reservoir
	406-27-013A	Verde Panorama Tank
	406-27-032A	Verde Panorama Pumps
	406-28-004B *	Clarkdale Well #1; Well #2
Cottonwood:	406-06-248C*	Well #5 Guidance Clinic
	406-08-005B	Well #8, Well #9
	406-22-053	Well #2
	406-22-068A	Cactus Booster
	406-22-070	Cactus Tank
	406-23-035L*	Well #1
	406-32-077	Trails End Tank
	406-42-065	Well #3
	406-42-100A	Well #4
	406-42-105N	Well #7

* Parcel Adjustments In Process

yuma



CORNERSTONE

SURVEYING & ENGINEERING, INC.

Land Description

Parcel GY-1

Page 1 of 1

Job Name: Garrison

Section 28, T16N, R3E

Date: 30-May-2005

A parcel of land being a portion of the Southwest Quarter of the Southeast Quarter Section 28, Township 16 North, Range 3 East, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, also being a portion of that property recorded in Book 3292 of Official Records, Page 555 hereinafter referred to as **record**, and a portion of that property recorded in Book 3292 of Official Records, Page 558 hereinafter referred to as **record1**, more particularly described as follows:

COMMENCING at the locally accepted South Quarter Corner of said Section 28, a found 1/2 inch rebar with an affixed brass tag stamped "Found LS 32224" from which the locally accepted Southeast Corner of said Section 28, a found 3/4 inch hex bolt, bears South 88 degrees 53 minutes 44 seconds East, a distance of 2596.27 feet;

thence South 88 degrees 55 minutes 05 seconds East, along the south line of said Section 28, a distance of 825.36 feet (South 88 degrees 51 minutes 35 seconds East, a distance of 825.24 feet **record**) to a found 1/2 inch rebar with plastic cap stamped "LS 13015" and the **POINT OF BEGINNING**;

thence North 02 degrees 50 minutes 04 seconds West, a distance of 236.83 feet (North 02 degrees 47 minutes 50 seconds West **record & record1**) to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";

thence South 86 degrees 58 minutes 08 seconds East, a distance of 124.81 feet to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";

thence South 01 degrees 44 minutes 19 seconds East, a distance of 232.36 feet to a set 1/2 inch rebar with aluminum tag stamped "LS 32224" and a point on the south line of said Section 28;

thence North 88 degrees 53 minutes 38 seconds West, a distance of 119.99 feet (North 88 degrees 53 minutes 38 seconds West, a distance of 120.00 feet **record**) to the **POINT OF BEGINNING**.

Containing an area of 0.65 acres, more or less.

END OF DESCRIPTION



CORNERSTONE

SURVEYING & ENGINEERING, INC.

Land Description
Parcel GH-1
Page 1 of 2

Job Name: Garrison
Section 31, T16N, R3E
Date: 20-June-2005

A parcel of land being a portion of the Southwest Quarter of Section 31, Township 16 North, Range 3 East of the Gila & Salt River Base & Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found 1/2 inch iron pipe with an affixed brass tag stamped "Found LS 32224", which lies North 60 degrees 09 minutes 15 seconds West, 2102.54 feet (North 60 degrees 02 minutes 37 seconds West, 2101.49 feet per Book 516 of Official Records, Page 535 hereinafter referred to as RECORD) from the Southeast Corner of Section 31 a found 1/2 inch rebar with no identification;

thence North 13 degrees 36 minutes 41 seconds West (North 13 degrees 32 minutes 10 seconds West RECORD), 292.96 feet to a found 1/2 inch rebar with an affixed brass tag stamped "Found LS 32224";

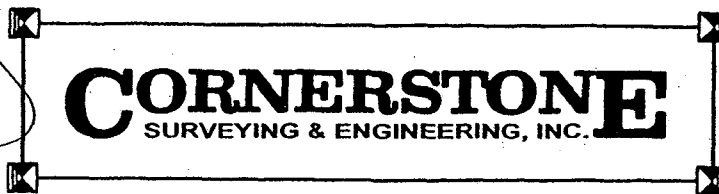
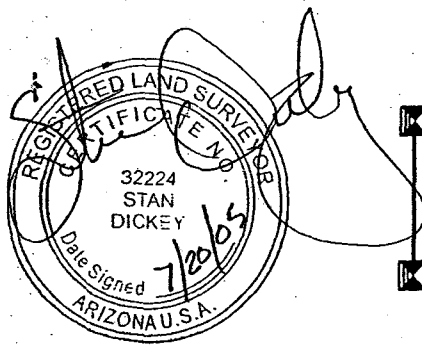
thence North 13 degrees 48 minutes 46 seconds West (North 13 degrees 32 minutes 10 seconds West RECORD), 282.04 feet to a found bridge spike and affixed a brass tag stamped "Found LS 32224";

thence South 78 degrees 31 minutes 00 seconds East (South 78 degrees 31 minutes 00 seconds East RECORD), 101.36 feet to a found 1/2 inch rebar with plastic cap stamped "LS 19853";

thence South 78 degrees 26 minutes 55 seconds East (South 78 degrees 31 minutes 00 seconds East RECORD), 199.86 feet to a found 1/2 inch rebar with plastic cap stamped "LS 19853";

thence South 78 degrees 27 minutes 06 seconds East (South 78 degrees 31 minutes 00 seconds East RECORD), 350.13 feet to a found 1/2 inch rebar with plastic cap stamped "LS 19853";

thence South 78 degrees 31 minutes 24 seconds East (South 78 degrees 31 minutes 00 seconds East RECORD), 226.10 feet to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";



Land Description
Parcel GH-1
Page 2 of 2

Job Name: Garrison
Section 31, T16N, R3E
Date: 20-June-2005

thence South 1 degrees 47 minutes 41 seconds East (South 1 degrees 59 minutes 15 seconds East RECORD), 104.42 feet to a found 1/2 inch rebar with no identification and affixed a brass tag stamped "Found LS 32224";

thence South 2 degrees 02 minutes 37 seconds East (South 1 degrees 59 minutes 15 seconds East RECORD), 218.18 feet to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";

thence South 87 degrees 10 minutes 18 seconds West, 204.95 feet to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";

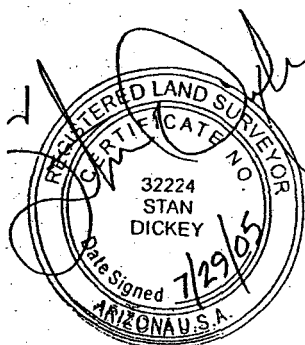
thence South 87 degrees 16 minutes 47 seconds West, 242.47 feet to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";

thence South 2 degrees 46 minutes 40 seconds East, 25.00 feet to a found 1/2 inch iron pipe with affixed brass tag stamped "Found LS 32224";

thence South 87 degrees 09 minutes 34 seconds West, 289.21 feet (South 87 degrees 17 minutes 20 seconds East, 289.84 feet RECORD) to the **POINT OF BEGINNING**.

Containing an area of 7.91 acres, more or less.

END OF DESCRIPTION



CORNERSTONE

SURVEYING & ENGINEERING, INC.

Land Description
Tract GW-1
Page 1 of 2

Job Name: Garrison
Section 4, T15N, R3E
Date: 28-July-2005

A parcel of land being a portion of Section 4, Township 15 North, Range 3 East, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona also a portion of that property recorded in Book 2309 of Official Records, Page 745 hereinafter referred to as **record**, more particularly described as follows:

COMMENCING at the locally accepted northeast corner of said Section 3, a found 1/2 inch rebar with no identification, from which the northwest corner of said Section 4, a found GLO brass cap stamped "1917", bears North 89 degrees 54 minutes 46 seconds West, a distance of 5293.73 feet;

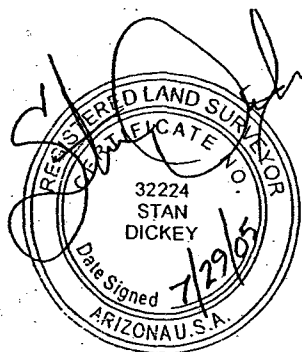
thence South 00 degrees 14 minutes 08 seconds West, a distance of 176.21 feet (South 00 degrees 15 minutes 48 seconds West, a distance of 173.89 feet **record**) along the east line of said Section 4 to a found 5/8 inch rebar with plastic cap stamped "LS 32224" and a point on the southerly right of way line of U.S. Highway 89A per book 9 of Maps and Plats, page 89;

thence continuing South 00 degrees 14 minutes 08 seconds West, a distance of 557.28 feet (South 00 degrees 15 minutes 48 seconds West **record**) along said east line to a found 1/2 inch rebar with obliterated plastic cap and affixed a brass tag stamped "Found LS 32224" and the northwest corner of that property described in book 1221 of Official Records, page 955;

thence continuing South 00 degrees 14 minutes 08 seconds West, a distance of 36.70 feet (South 00 degrees 15 minutes 48 seconds West **record**) along said east line to a set 1/2 inch rebar with aluminum tag stamped "LS 32224" and the **POINT OF BEGINNING**;

thence continuing South 00 degrees 14 minutes 08 seconds West (South 00 degrees 15 minutes 48 seconds West **record**), a distance of 131.07 feet along said east line to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";

thence North 89 degrees 53 minutes 34 seconds West, a distance of 343.29 feet to a set 1/2 inch rebar with aluminum tag stamped "LS 32224" and a point on the westerly line of said **record** parcel;



CORNERSTONE

SURVEYING & ENGINEERING, INC.

Land Description
Tract GW-1
Page 2 of 2

Job Name: Garrison
Section 4, T15N, R3E
Date: 28-July-2005

thence North 03 degrees 16 minutes 32 seconds West (North 03 degrees 16 minutes 32 seconds West **record**), a distance of 101.97 feet along said westerly line to a found 5/8 inch rebar with plastic cap stamped "LS 13015";

thence North 03 degrees 21 minutes 55 seconds West (North 03 degrees 21 minutes 55 seconds West **record**), a distance of 31.36 feet along said westerly line to a set 1/2 inch rebar with aluminum tag stamped "LS 32224";

thence South 89 degrees 33 minutes 47 seconds East, a distance of 351.51 feet; to the point of beginning.

Containing an area of 1.05 acres, more or less.

END OF DESCRIPTION

EXHIBIT F

EXHIBIT F

CAPITAL EXPENSES

1/27/05 thru 6/30/05

Electric pumping Equipment	\$ 2,343.38
Water Treatment Equipment	1,229.10
Meter Services	795.70
Meters	2,783.51
Meter Installations	<u>6,411.50</u>
	<u>\$ 13,563.19</u>

EXHIBIT G

G

Lawyers - Letter of
Opinion
Buyer

EXHIBIT H

opinion
letter
sell

B

RESOLUTION NUMBER 2134

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, APPROVING AN ASSET PURCHASE AGREEMENT BETWEEN THE CITY OF COTTONWOOD MUNICIPAL PROPERTY CORPORATION, THE CITY OF COTTONWOOD, THE TOWN OF CLARKDALE AND COTTONWOOD WATER WORKS, INC., FOR THE PURCHASE AND SALE OF THE BUSINESS ASSETS OF COTTONWOOD WATER WORKS; AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT ON THE CITY'S BEHALF; AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND AGREE TO ADDITIONAL NON-MATERIAL CHANGES BEFORE PRESENTING THE AGREEMENT TO THE MAYOR FOR SIGNATURE; AND DECLARING AN EMERGENCY.

WHEREAS, the qualified electors of the City did, at an election duly held on March 13, 2001, in accordance with Arizona Revised Statutes Section 9-514, authorize the City to engage in the water utility business, and to construct, purchase, acquire or lease any plant or property or portion thereof devoted to the business or services rendered by a public utility either within or without the corporate limits of the City as set forth in Arizona Revised Statutes, Title 9, Chapter 5, Article 2; and

WHEREAS, the Council unanimously finds that potable water used for domestic and household consumption; commercial and industrial uses; fire protection; recreation; and other purposes; along with the wells, pumps, tanks, pipes and other infrastructure used to collect and distribute that water, is an essential public resource, which should forever be managed for the public benefit; and

WHEREAS, the Council unanimously finds that it is in the best long-term interests of the people of this City for the City to acquire from its current owner, Cottonwood Water Works, Inc. (CWW), and to own and operate for the benefit of the people of the City from this time forward, the City's water utility system, for reasons that include, but are not limited to: 1) gaining the ability to take direct, immediate and effective action to dramatically reduce the levels of arsenic - a naturally occurring, known carcinogen - currently found in all of the system's water supplies, to levels mandated by the federal Safe Drinking Water Act and the United States Environmental Protection Agency; 2) gaining the ability to substantially enhance fire safety in the City by increasing water pressure to certain portions of the system where such water pressure is presently inadequate to support effective fire suppression efforts;

RESOLUTION NUMBER 2134

Page 2

3) creating, when joined with the City's existing water utility system, economies of scale which will substantially benefit all of the system's users, both within and outside the City; 4) substantially enhancing the City's ability to acquire and/or develop additional water resources, to help ensure the long-term health and prosperity of the City and its people, now and for future generations; and 5) allowing the City to promote and encourage water conservation among all of the system's users through the City's progressive rate structure; and

WHEREAS, the Council has been advised and therefore finds that the City's water utility system can be acquired with proceeds from certain financial instruments known as pledged revenue obligations issued by the City's Municipal Property Corporation (MPC) - which is expected to acquire and subsequently lease the system to the City for and during the term of such obligations - and further, that the City can meet all of its financial obligations to the MPC, as well as pay all other costs and expenses necessary and incidental to the ownership and operation of the system, without any immediate increase in the City's currently effective rates and charges for water; and

WHEREAS, the Council finds that the City's acquisition, ownership and operation of the system will in fact help keep water rates in the City lower over the long term than they would otherwise be if the City did not acquire the system; and

WHEREAS, although the Council recognizes that the rates the City charges for water - which are the rates that will be charged to current customers of CWW within the City and outside the City (excepting those customers within the corporate limits of the Town of Clarkdale, which may establish different and separate rates from those of the City upon acquisition of the system) are substantially higher than those presently charged by CWW, the rates currently charged by CWW are well below the rates that most other Arizona residents pay for water, and were destined to rise to levels that approach, equal or exceed the City's current rates in the very near future, for reasons that include the requirement that all public water systems will be required to comply with federal safe drinking water standards for arsenic from and after January 23, 2006; and

WHEREAS, the City's current rate structure is comparable to the rates paid by most other Arizona residents; and

WHEREAS, the City has negotiated a mutually acceptable agreement with Cottonwood Water Works for the acquisition of all of the company's business assets,

RESOLUTION NUMBER 2134

Page 3

which will enable the City to acquire, own, manage and operate the water utility system for the benefit of its citizens, without the considerable expense and uncertainty of acquiring the company through condemnation proceedings; and

WHEREAS, the Town of Clarkdale has joined and cooperated with the City in its efforts to acquire all of the business assets of CWW, with the understanding and expectation that once those assets are acquired, the portion of those assets that lie within and serve the Town will be transferred to the Town on terms that are mutually acceptable and beneficial to both communities; and

WHEREAS, certain other agreements are presently being negotiated between the communities which will further the interests of both communities in joint and cooperative water resource management, utilization, development and conservation; and

WHEREAS, the City's Municipal Property Corporation, which is able and expected to authorize the issuance of the revenue obligations necessary to fund the acquisition of the system, along with certain immediate system improvements and other costs and expenses related to the acquisition of the business assets of CWW, is expected to meet in the near future for the purpose of considering whether to authorize, for and on its own behalf, the execution of the Asset Purchase Agreement for the Purchase and Sale of the Business Assets of Cottonwood Water Works (the "Asset Purchase Agreement"), a copy of which is attached to this Resolution; and

WHEREAS, the Town Council of the Town of Clarkdale is scheduled to meet on this same night to consider and possibly decide whether to authorize for and on its own behalf the execution of the above-described Asset Purchase Agreement; and

WHEREAS, due to the extreme volatility of the currently favorable (from the City's perspective) interest rate environment into which the above-described revenue obligations are to be sold; as well as the need to expedite the system improvements related to fire flow enhancement and arsenic removal described above, so as to preserve and enhance the public health and safety; the Council hereby finds and declares an emergency situation to exist.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, AS FOLLOWS:

RESOLUTION NUMBER 2134


Page 4

Section 1. The Asset Purchase Agreement, attached hereto, between the City of Cottonwood Municipal Property Corporation, the City of Cottonwood, the Town of Clarkdale and the Cottonwood Water Works, Inc., for the Purchase and Sale of the Business Assets of Cottonwood Water Works, is hereby approved, and the Mayor is hereby authorized to execute the Agreement on behalf of the City of Cottonwood.

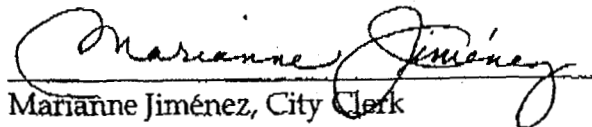
Section 2. The City Manager is hereby authorized to negotiate and agree to any non-material changes or corrections to the version of the Agreement attached hereto before presenting it to the Mayor for execution.

Section 3. Because of the need to expedite the acquisition of the City's water utility system so that the system may be acquired before any dramatic rise in long-term interest rates occurs (which could make acquisition of the system economically impractical), and because of the need to expedite the arsenic removal and fire flow enhancements described above in order to protect and preserve the public health and safety, an emergency is hereby declared to exist, and this Resolution shall therefore be immediately effective.

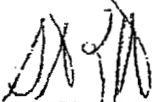
PASSED AND ADOPTED BY THE CITY COUNCIL AND APPROVED BY THE MAYOR OF THE CITY OF COTTONWOOD, ARIZONA, THIS 12TH DAY OF JULY 2005.


Ruben Jauregui, Mayor

ATTEST:


Marianne Jiménez, City Clerk

APPROVED AS TO FORM:


Steven B. Horton, Esq.
Mangum, Wall Stoops and Warden, P.L.L.C.
City Attorneys

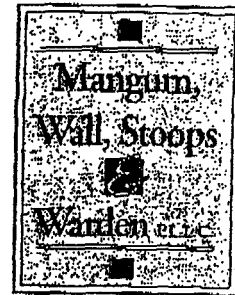
A. Dean Pickett
Franklin J. Hoover
Steven B. Horton
Kenneth H. Brendel
Erm E. Byrnes
Kellie Dolan
Angela R. Kircher
Antonio Gonzalez

Of counsel:
Douglas J. Wall
Daniel J. Stoops
Robert W. Warden
Stephen K. Smith

H. Karl Mangum
1908 - 1993

100 North Elden Street
Post Office Box 10
Flagstaff, AZ 86002-0010
Telephone (928) 779-6951
Telefax (928) 773-1312

Steven B. Horton
Attorney at Law



Attorneys Serving
Arizona Since 1955

August 8, 2005

Cottonwood Water Works, Inc.
1042 N. Main St.
Cottonwood, AZ 86326

Re: Asset Purchase Agreement

Ladies and Gentlemen:

This firm serves as City Attorneys for the City of Cottonwood, Arizona ("the City"). In that capacity, we have assisted the City in negotiating a certain Asset Purchase Agreement (also referred to herein as the "Purchase Agreement" or "Agreement") between Cottonwood Water Works, Inc., an Arizona corporation ("the Company"), the City, the Cottonwood Municipal Property Corporation ("MPC"), and the Town of Clarkdale, Arizona ("the Town"), for the purchase of the Business Assets of the Company by the MPC, pursuant to the terms of a letter of intent executed by the Company, City and Town on or about January 27, 2005.

As used in this opinion, the phrases "our knowledge" or "actual knowledge" refer to the knowledge of the attorneys within our firm who have been directly involved in assisting the City in this transaction, and signifies that, in the course of our representation of the City in this matter, no facts have come to our attention that would constitute actual knowledge or actual notice that any opinions expressed herein are not accurate. Moreover, we have undertaken no independent investigation or verification of any matters not specifically mentioned herein.

For the purposes of rendering this opinion, we have examined the following:

1. The above-described Asset Purchase Agreement;
2. Resolution number 2134, authorizing the City to enter into the Asset Purchase Agreement.

We have also examined such other agreements, instruments, documents, statutes and rules we deemed to be appropriate or necessary in order to render the opinions expressed below. In rendering this opinion, we have relied, to the extent we deemed reasonable, upon certain representations and information given to us by various individuals, including without limitation certain City officials, employees, contractors and/or agents as to matters of fact of which the individuals making such

representations or providing such information did or were in a position to have knowledge. Furthermore, with your permission, we have assumed the following:

1. The authenticity of all signatures not witnessed;
2. That each natural person executing the Asset Purchase Agreement or otherwise significantly involved in this transaction, has the legal competency, authority, and capacity to execute such documents and/or to carry out their respective role in the transaction;
3. That the Asset Purchase Agreement accurately and completely recites the parties' mutual intent and understanding;
4. That the parties have entered into, and intend to carry out the purposes of the Asset Purchase Agreement in accordance with its terms, and that they have acted, and will at all times act equitably, in good faith, in a commercially reasonable manner, and in compliance with all applicable regulations, without fraud or duress;
5. That all documents or reproductions provided to us by any individual or entity are authentic, and truthfully and accurately describe the matters they purport to describe;
6. That the parties to the Asset Purchase Agreement have the power and authority to execute, deliver and perform all agreements executed by them and that they have duly and validly executed and delivered such documents and agreements; and
7. That all representations and certifications provided to us or obtained by us from any source whatsoever, are genuine, accurate and complete, and that no fraud or dishonesty did or does exist with respect to any matter relevant to our opinions expressed herein.

Based upon and subject to the foregoing, and to the additional limitations and qualifications set forth below, we are of the opinion that:

1. The City is a duly organized and validly existing Arizona municipal corporation, of perpetual duration;
2. That the City has the legal authority and ability to enter into the Asset Purchase Agreement, and to perform its covenants and duties recited therein, subject to all of the contingencies set forth therein;
3. That the execution and delivery of the Asset Purchase Agreement by the City has been authorized by the City Council in a properly noticed and duly convened public meeting;
4. That no further consent, approval, authorization, or other action by or filing with any federal, state or other local authority is required in connection with the execution and delivery of the Asset Purchase Agreement by the City;

5. That the Asset Purchase Agreement constitutes a legal, valid and binding obligation of the City, enforceable by its terms, although, as a matter of law, each and every payment obligation of the City recited in the Agreement that will not be fully performed and satisfied on the Closing Date, is conditioned and contingent upon the future availability, allocation and appropriation of funds adequate to satisfy such obligation, by action of the City Council. Moreover, the enforceability of the Agreement may be subject to or limited by future citizens' initiative, referendum, court action, or by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors. The enforceability of the Agreement is also subject to general principles of equity, and to the qualification that certain waivers, procedures, remedies, and/or other provisions of the Agreement may be unenforceable under or limited by state or federal law, although the Agreement provides that any partial unenforceability or judicially imposed limitations will not render the Agreement as a whole invalid or unenforceable as to those provisions not rendered invalid;
6. That, to our knowledge, the execution and delivery of the Asset Purchase Agreement will not violate any currently effective ordinance or regulation of the City; and
7. That there is no litigation or other proceeding pending or, to the best of our knowledge, threatened that would challenge or materially affect the City's ability or authority to perform its obligations under the Agreement.

The opinions expressed above are subject to the following additional qualifications and limitations:

1. This firm did not participate or represent the City in the negotiation of the material terms related to the consideration being paid in exchange for the Business Assets of the Company (including, without limitation, the assumption of certain substantial financial obligations of the Company), or in the acquiescence by the City to certain substantial limitations regarding the furnishing of representations, warranties, and indemnities by the Company. Furthermore, this firm did not conduct or commission any independent investigation into the condition or value of the Company's Business Assets, and we specifically disclaim any expression of opinion regarding the fairness or lawfulness of the consideration being furnished to the Company in exchange for the Business Assets under the Agreement, and we further disclaim any expression of opinion regarding any matter that would properly be considered to be in the nature of a business risk in the context of a transaction of this nature.
2. We specifically disclaim any expression of opinion regarding any federal or state tax, environmental, public health, or labor laws, rules or regulations, zoning matters or applicable building codes or ordinances, or the existence or quality of title to real property, or necessary easements, or the effect of such matters on the opinions expressed herein.

Cottonwood Water Works, Inc.
Re: Asset Purchase Agreement
August 9, 2005
Page 4

Mangum, Wall, Stoops & Warden, P.L.L.C.

3. The opinions expressed herein are specifically limited to the matters addressed herein and no other opinion is expressed or may be inferred herefrom. Furthermore, the opinions expressed herein are based on the law and facts as we understand them to be as of the date of this letter, and we undertake no continuing duty or obligation to revise or supplement any opinion expressed herein in response to any subsequent changes in facts, laws or other matters upon which we have relied in rendering this opinion.
4. The opinions expressed herein are limited to the laws of the State of Arizona, and applicable federal law. No opinion is expressed as to the law of any other jurisdiction (other than the City itself) or upon any matter related to conflicts of law and we assume no liability for the effect of any such laws or principles on the parties, the Agreement, or the opinions expressed herein.

This opinion is being furnished to the Company for its benefit alone and no part of this opinion may be used or relied upon by any other person or entity, or by the Company for any purpose other than the purpose contemplated by the Asset Purchase Agreement and the transaction contemplated thereby.

Sincerely,

MANGUM, WALL, STOOPS & WARDEN, P.L.L.C.



Steven B. Horton
For the Firm

SBH:mmm

C

RESOLUTION NO: 1154

A RESOLUTION OF THE COMMON COUNCIL OF THE TOWN OF CLARKDALE, ARIZONA, ADOPTING AN ASSET PURCHASE AGREEMENT BETWEEN THE CITY OF COTTONWOOD MUNICIPAL PROPERTY CORPORATION (hereinafter referred to as the "MPC"), THE CITY OF COTTONWOOD (hereinafter referred to as the "City"), THE TOWN OF CLARKDALE (hereinafter referred to the "Town"), AND THE COTTONWOOD WATER WORKS INC. FOR THE PURCHASE AND SALE OF THE BUSINESS ASSETS OF COTTONWOOD WATER WORKS (hereinafter referred to as "CWW"); AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT ON THE TOWN'S BEHALF; AUTHORIZING THE TOWN MANAGER TO NEGOTIATE AND AGREE TO ADDITIONAL NON-MATERIAL CHANGES BEFORE PRESENTING THE AGREEMENT TO THE MAYOR FOR SIGNATURE; AND DECLARING AN EMERGENCY.

WHEREAS, the qualified electors of the Town did, at an election duly held on March 14, 2000, authorize the Town to engage in the water utility business; and

WHEREAS, the Council unanimously finds that potable water used for domestic and household consumption, commercial and industrial uses, fire protection, recreation and other purposes, along with the wells, pumps, tanks, pipes and other infrastructure used to acquire and distribute that water, is an essential public resource, which should forever be managed for the public benefit; and

WHEREAS, the Council unanimously finds that it is in the best long-term interests of the people of this Town for the Town to acquire from its current owner, Cottonwood Water Works, Inc. (CWW), and to own and operate for the benefit of the people of the Town from this time forward, the Town's water utility system, for reasons that include, but are not limited to: 1) gaining the ability to take direct, immediate and effective action to dramatically reduce the levels of arsenic - a naturally occurring, known carcinogen - currently found in all of the system's water supplies, to levels mandated by the federal Safe Drinking Water Act and the United States Environmental Protection Agency; 2) gaining the ability to substantially enhance fire safety in the Town by increasing water pressure and upgrading infrastructure to certain portions of the system where such water pressure and/or infrastructure is presently inadequate to support effective fire suppression efforts; 3) creating, through a joint Operation and Maintenance Agreement with the City of Cottonwood's existing water utility system, economies of scale which will substantially benefit all of the system's users, both within and outside the Town and the City; 4) substantially enhancing the Town's ability to acquire and/or

develop additional water resources, to help ensure the long-term health and prosperity of this Town and its people, now and for future generations; and 5) allowing the Town to foster water conservation among current users of the system through the implementation of its progressive rate structure; and

WHEREAS, the Council has been advised and therefore finds that it is proper, necessary and desirable for those portions of the Cottonwood Water Works system located within the Town of Clarkdale to be acquired and upgraded with proceeds from certain financial instruments known as pledged water system revenue obligations to be executed and delivered for such purpose for the City of Cottonwood to then simultaneously sell those portions of the Business Assets located within the Town to the Town pursuant to an Intergovernmental Utilities Purchase Agreement, - and further, that the Town can meet all of its financial obligations to the City, as well as pay all other costs and expenses necessary and incidental to the ownership and operation of the system, by establishing rates and charges for water in an amount necessary to meet such obligations; and

WHEREAS, although the Council fully recognizes that the rates the Town proposed to charge for water are substantially higher than those presently charged by CWW, the rates currently charged by CWW are well below the rates that most other Arizona residents pay for water, and were destined to rise to levels that approach, equal or even exceed the Town's proposed rates in the very near future (for reasons that include the need to comply with federal safe drinking water standards for arsenic, which take effect on January 23, 2006); and

WHEREAS, the Town's proposed rate structure is comparable to the rates paid by most other Arizona residents; and

WHEREAS, the Town and the City have negotiated a mutually acceptable agreement with CWW for the acquisition of all of the company's business assets, which will enable the Town to acquire, own, manage and operate its own water utility system for the benefit of its citizens, without the considerable expense and uncertainty of acquiring the company through condemnation proceedings; and

WHEREAS, the Town has joined and cooperated with the City in its efforts to acquire all of the business assets of CWW, with the understanding and expectation that once those assets are acquired, the portion of those assets that lie within and serve the Town will be transferred to the Town on terms that are mutually acceptable and beneficial to both communities; and

WHEREAS, certain other agreements are being negotiated between the communities which will further the interests of both communities in joint and cooperative water resource management, utilization, development and conservation; and

WHEREAS, the City Council of the City of Cottonwood and the Board of Directors of the City of Cottonwood Municipal Property Corporation are scheduled to meet soon and will consider and may decide to authorize for and on their own behalf the execution of the Asset Purchase Agreement for the Purchase and Sale of the Business Assets of Cottonwood Water Works (the "Asset Purchase Agreement"), a copy of which is attached to this Resolution; and

WHEREAS, due to the extreme volatility of the currently favorable (from the City and Town's perspectives) interest rate environment into which the above-described revenue obligations are to be sold; as well as the need to expedite the system improvements related to fire flow enhancement and arsenic removal described above, so as to preserve and enhance the public health and safety; the Council hereby finds and declares an emergency situation to exist.

NOW, THEREFORE, BE IT RESOLVED, BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CLARKDALE THAT:

Section 1: The Asset Purchase Agreement, attached hereto, between the City of Cottonwood Municipal Property Corporation, the City of Cottonwood, the Town of Clarkdale, and Cottonwood Water Works, Inc. for the Purchase and Sale of the Business Assets of Cottonwood Water Works, is hereby approved, and the Mayor is hereby authorized to execute the Agreement on behalf of the Town of Clarkdale.

Section 2: The Town Manager is hereby authorized to negotiate and agree to any non-material changes or corrections to the version of the Agreement attached hereto before presenting it to the Mayor for execution.

Section 3. Because of the need to expedite the acquisition of the Town's water utility system so that the system may be acquired before any dramatic rise in long-term interest rates occurs (which could make acquisition of the system economically impractical), and because of the need to expedite the arsenic removal and fire flow enhancements described above in order to protect and preserve the public health and safety, an emergency is hereby declared to exist, and this Resolution shall therefore be immediately effective.

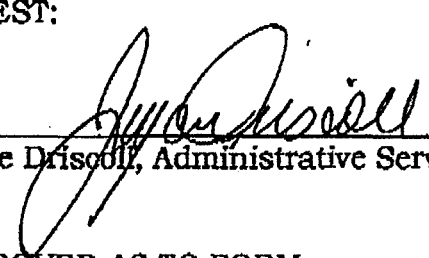
PASSED AND ADOPTED by the Mayor and Common Council, and approved by the Mayor of the Town of Clarkdale this 19th day of July, 2005.

APPROVED:



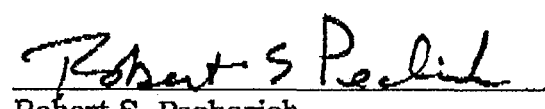
Doug Von Gausig, Mayor

ATTEST:



Joyce Driscoll, Administrative Services Director/Town Clerk

APPROVED AS TO FORM:



Robert S. Pecharich,
Boyle, Pecharich, Cline and Whittington
Town Attorneys

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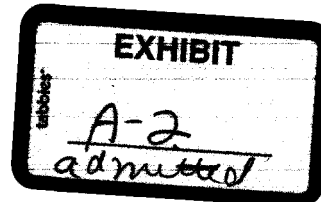
BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

2005 SEP 30 A 10:58

AZ CORP COMMISSION
DOCUMENT CONTROL



IN THE MATTER OF THE APPLICATION OF
COTTONWOOD WATER WORKS, INC. FOR
APPROVAL OF THE TRANSFER OF ASSETS
AND FOR CANCELLATION OF THE
CERTIFICATE OF CONVENIENCE AND
NECESSITY

DOCKET NO. W-01045A-05-0578

NOTICE OF FILING NOTICE OF
PUBLICATION

In accordance with the Procedural Order dated September 14, 2005, in the above-referenced docket, Cottonwood Water Works, Inc. ("Cottonwood") published notice of the above-captioned application in *The Verde Independent* and *The Bugle* on September 21, 2005. An Affidavit of Publication from *The Verde Independent* and *The Bugle* is attached hereto as Attachment "A".

Additionally, a copy of the notice was mailed to all Cottonwood customers via first class mail on September 22, 2005. A copy of the notice mailed to customers is attached hereto as Attachment "B".

Respectfully submitted this 30th day of September, 2005.

SNELL & WILMER L.L.P.

A handwritten signature in black ink, appearing to read "Jeffrey W. Crockett".

Jeffrey W. Crockett
Deborah R. Scott
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202
Attorneys for Cottonwood Water Works, Inc.

1 **ORIGINAL and 13 copies of the foregoing**
2 filed this 30th day of September 2005, with:

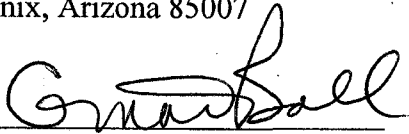
3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, AZ 85007

7 A COPY of the foregoing was hand-delivered
8 this 30th day of September, to:

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Hearing Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Christopher C. Kempley, Chief Counsel
16 Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Ernest G. Johnson, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 
26

47583.0001\Crockej\PHX\1732780

ATTACHMENT A

PUBLISHER'S AFFIDAVIT

STATE OF ARIZONA, }
County of Yavapai, } ss

Pam Hood, first having been duly sworn on her oath says:

That she is the Publisher of The Verde Independent and The Bugle, a
Three Times Weekly Newspaper published at Cottonwood, Yavapai
County, Arizona; that the notice attached hereto, namely,

PUBLIC NOTICE OF HEARING- COTTONWOOD WATER WORKS, INC.

OCTOBER 13, 2005

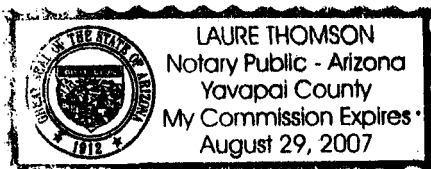
has, to the personal knowledge of affidavit, been published and legally
printed in said County of Yavapai in the newspaper aforesaid, according
to law, from the 21st day of September, 2005, to the 21st day of
September, 2005, both inclusive, without change, interruption or
omission, amounting in all to 1 insertion, made on the following date:

September 21, 2005

.....
(Signature)

Subscribed and sworn to before me this 26 day of Sept, 2005,

in witness whereof I have hereunto set my hand and seal of office.



.....
Notary Public

My Commission Expires August 29, 2007.....

**PUBLIC NOTICE OF HEARING ON THE APPLICATION OF COTTONWOOD WATER WORKS, INC.,
FOR APPROVAL OF THE TRANSFER OF ASSETS AND FOR CANCELLATION OF THE CERTIFI-
CATE OF CONVENIENCE AND NECESSITY
(DOCKET W-01045A-05-0578)**

On August 9, 2005, Cottonwood Water Works, Inc., ("Applicant") filed with the Arizona Corporation Commission ("Commission") an application for approval of the transfer of assets and for cancellation of the Company's Certificate of Convenience and Necessity ("CC&N") to the City of Cottonwood and the Town of Clarkdale. If the Commission approves the Application, the Commission will no longer regulate this system. The Application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, Phoenix, Arizona, and at the offices of Applicant, 1042 N. Main Street, Cottonwood, Arizona, 86326.

The Commission will hold a hearing on this matter beginning **October 13, 2005**, at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comment will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding. Intervention shall be in accordance with A.A.C. R14-3-405, except that all motions to intervene must be filed on or before **October 7, 2005**. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to Applicant or its counsel and to all parties of record. The motion shall, at a minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and any person upon whom service of documents is to be made if different from the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer or potential customer of Applicants, a shareholder of Applicants, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to Applicants or their counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the Application. You will not receive any further notice of this proceeding unless you request it.

If you have any questions about this Application, or want further information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request reasonable accommodations such as sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602-542-3931, E-mail lhogan@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation.

1TVIPublish: September 21, 2005

ATTACHMENT B

**PUBLIC NOTICE OF HEARING ON THE APPLICATION OF COTTONWOOD
WATER WORKS, INC., FOR APPROVAL OF THE TRANSFER OF ASSETS AND FOR
CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND NECESSITY
(DOCKET W-01045A-05-0578)**

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The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding. Intervention shall be in accordance with A.A.C. R14-3-405, except that all motions to intervene must be filed on or before **October 7, 2005**. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to Applicant or its counsel and to all parties of record. The motion shall, at a minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and any person upon whom service of documents is to be made if different from the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer or potential customer of Applicants, a shareholder of Applicants, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to Applicants or their counsel and to all parties of record in the case.

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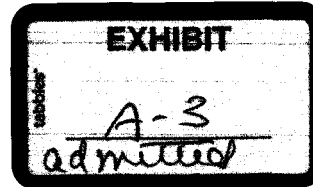
ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES



IN THE MATTER OF THE APPLICATION OF
COTTONWOOD WATER WORKS, INC. FOR
APPROVAL OF THE TRANSFER OF ASSETS
AND FOR CANCELLATION OF THE
CERTIFICATE OF CONVENIENCE AND
NECESSITY

DOCKET NO. W-01045A-05-0578

NOTICE OF FILING CERTIFICATE
OF RESOLUTION

On August 9, 2005, Cottonwood Water Works, Inc., ("CWW" or "Company") filed an application ("Application") for approval of the transfer of assets to the City of Cottonwood ("Cottonwood") and the Town of Clarkdale ("Clarkdale"), and for cancellation of CWW's certificate of convenience and necessity. Attached to the Application as Exhibit "A" was a copy of the August 2, 2005, Asset Purchase Agreement between CWW, Cottonwood and Clarkdale. Attached hereto is a copy of the Certificate of the Secretary of CWW certifying that the shareholders of CWW approved that Asset Purchase Agreement at the Company's annual meeting held August 17, 2005,

Respectfully submitted this 18th day of August, 2005.

SNELL & WILMER L.L.P.

Deborah R. Scott

Jeffery W. Crockett

One Arizona Center

400 East Van Buren

Phoenix, Arizona 85004-2202

Attorneys for Cottonwood Water Works, Inc.

Snell & Wilmer

LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 362-6000

RECEIVED

2005 AUG 18 P 12:26

AZ CORP COMMISSION
DOCUMENT CONTROL

1 **ORIGINAL and 13 copies of the foregoing**
2 **filed this 18th day of August 2005, with:**

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, AZ 85007

7 A COPY of the foregoing was hand-delivered
8 this 18th day of August 2005, to:

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Hearing Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Christopher C. Kempley, Chief Counsel
16 Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Ernest G. Johnson, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 
26

CERTIFICATE OF SECRETARY

I, Audra G. Backus, hereby certify that:

I ~~am~~ the duly elected, qualified and acting Secretary of Cottonwood Water Works, Inc. (the "Corporation").


The following resolution is a full, true **and** correct copy of a resolution duly adopted by the shareholders of the Corporation at the duly noticed Annual Meeting of the Corporation on August 17, 2005:

RESOLVED, that the shareholders of the Corporation hereby approve the Asset Purchase Agreement **among** the Corporation, the City of Cottonwood Municipal Property Corporation, the City of Cottonwood, and the Town of Clarkdale, and the transactions contemplated thereby including the sale of certain assets of the Corporation in exchange for cash in the amount of \$11,710,687, subject to adjustments.

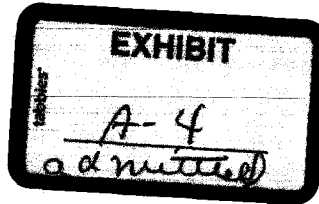
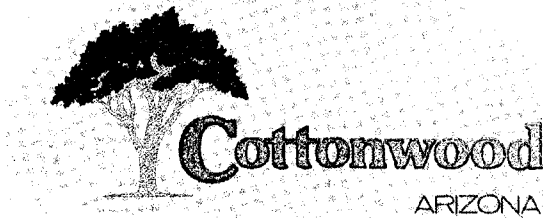
I further certify that the above resolution is a full, true **and correct copy** of the original resolution adopted at the above-referenced meeting and entered into the minutes and **that** the resolution **has** not been amended, modified or rescinded since the date of adoption, and is **now** in full force and effect.

Dated: August 17, 2005

COTTONWOOD WATER WORKS, INC.


Audra G. Backus, Secretary





AZ CORP COMMISSION
DOCUMENT CONTROL

2005 AUG -9 P 3:01

RECEIVED

August 3, 2005

Mr. Jeff Hatch-Miller
Chairman
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

W-01045A-05-0578

Subject: Purchase of Cottonwood Water Works

Dear Chairman Hatch-Miller:

As you may recall from our meeting earlier this year, the City of Cottonwood acquired three private water companies in 2004. We are now in the final stages of acquiring the fourth and last privately owned water company serving both our community and the Town of Clarkdale. As indicated in our meeting, the Town of Clarkdale is a party to this acquisition through a series of Intergovernmental Agreements. With this final acquisition we will have consolidated the four companies into municipally operated systems.

As part of this transaction and as was the case with our previous acquisitions, the City is committed to serving all existing customers and honoring all customer deposits and line extension agreements.

With this consolidation we will be serving approximately 9,000 customers with the ability to gain operation efficiencies, increase fire flows, water storage and develop a varied water rights portfolio. Additionally, we are aggressively pursuing the engineering designs necessary to meet the January 2006 deadline for arsenic remediation. These studies and designs are being completed for not only the three previously acquired companies, but for this acquisition as well. The arsenic removal costs are estimated at \$4M.

The City has completed its financial studies, feasibility studies and necessary agreements to complete this transaction. The City has also met with bond rating agencies and the preparation of final financial documents is in process.

The City of Cottonwood is requesting accelerated processing of the ownership transfer approvals from the Arizona Corporation Commission for several important reasons. First, it is absolutely critical this transaction be completed as soon as possible so we can complete the aforementioned arsenic remediation projects prior to the imposed deadlines.

Secondly, the City must secure its financing and obtain the lowest possible rates on our 25 year obligations. These market rates are very favorable to us at the present time but do show signs of an upward trend. Even a small increase in interest rates can have a long term and negative affect on our operational plans.

Finally, we have included an aggressive capital improvement fund in our debt service and with this approval the City can begin service upgrades and inter-ties to the entire system.

Please review the application materials provided and contact us with any questions. Again, any shortening in the processing time of this application will be greatly appreciated by our community.

Thanks you for your consideration.

Sincerely,



Ruben Jauregui,
Mayor

c **Commissioner Marc Spitzer**
 Commissioner William Mundell
 Commissioner Mike Gleason
 Commissioner Kristen Mayes

ORIGINAL
MEMORANDUM



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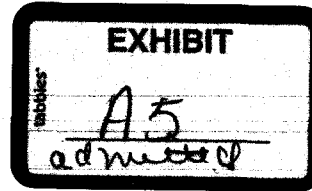
TO: William Gehlen
Public Utilities Analyst V
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: September 19, 2005

RE: COTTONWOOD WATER WORKS, INC. [DOCKET NO. W-01045A-05-0578]



Cottonwood has filed an application to cancel their CC&N. Their area will be served by City of Cottonwood and Town of Clarkdale.

Attached are copies of the maps for your files.

:bsw

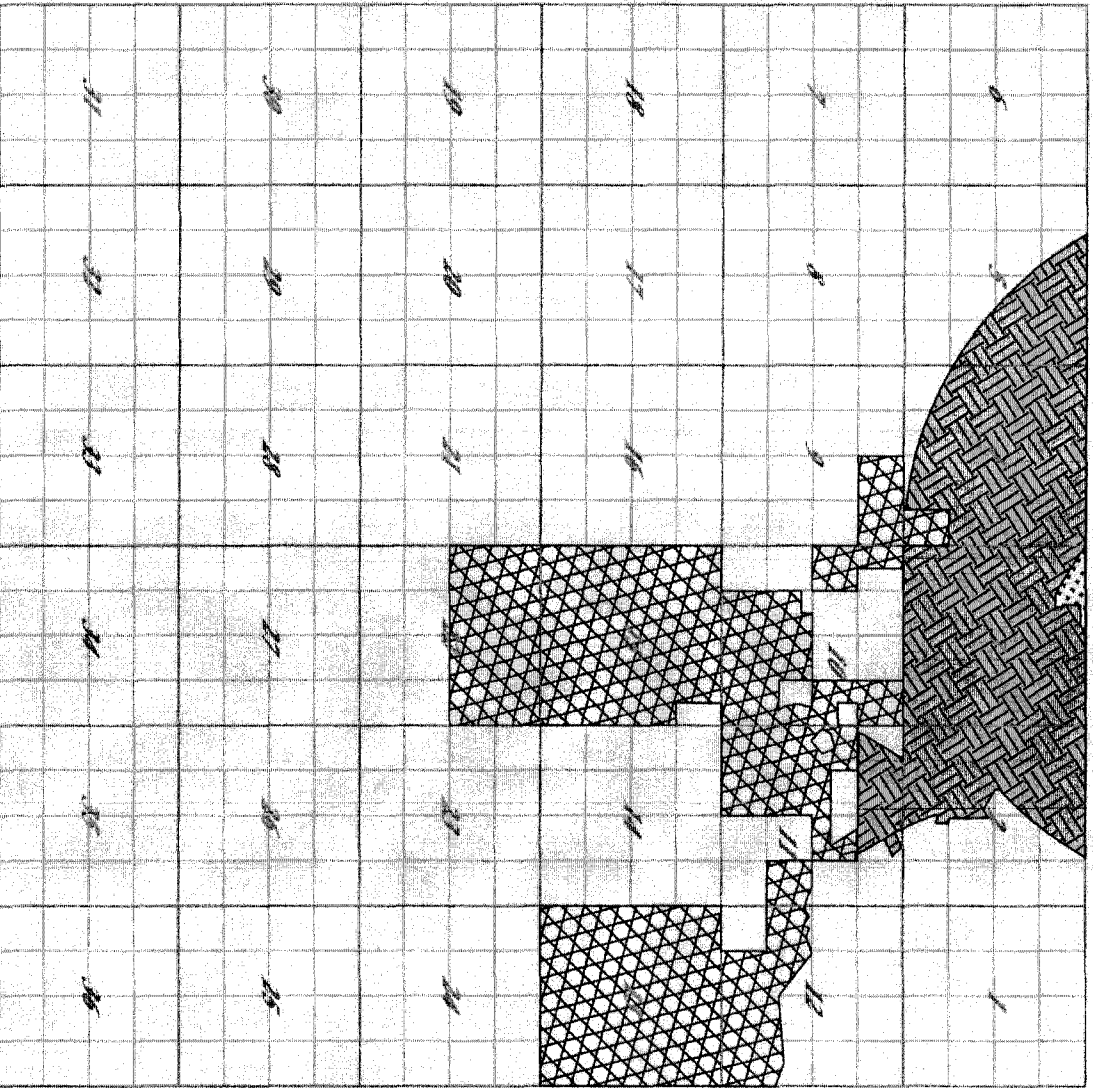
Attachments

cc: Docket Control
Ms. Deborah Scott
Ms. Deb Person (Hand Carried)
File

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2005 SEP 21 P 12:02
AZ CORP COMMISSION
DOCUMENT CONTROL

GOVINTY, Yavapai

RANGE 3 East

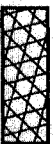


TOWNSHIP 15 North



W-1278 (2)

Clemenceau Water Company



W-2060 (3)

Cordes Lakes Water Company (Verde Village)



W-1045 (2)

Cottonwood Water Works, Inc.

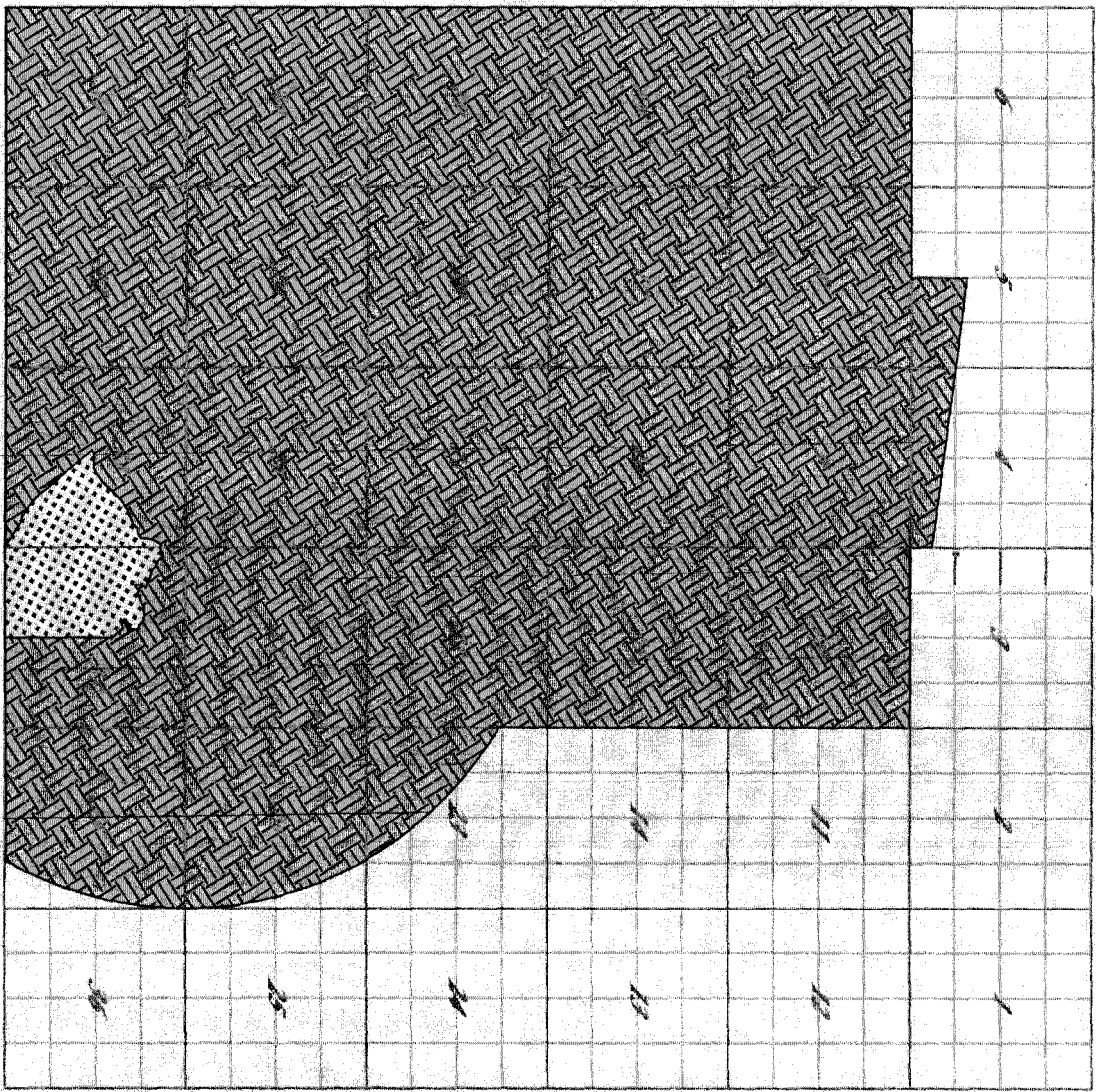


(2)

Cottonwood Water Works, Inc.
Docket No. W-01045A-05-0578
Application to Cancel CC&N - to
City of Cottonwood and Town of Clarkdale

COUNTY of Yavapai

RANGE 3 East



W-1278 (2)



Clemenceau Water Company



W-1045 (2)

Cottonwood Water Works, Inc.



(2)

Cottonwood Water Works, Inc.
Docket No. W-01045A-05-0578
Application to Cancel CC&N - to
City of Cottonwood and Town of Clarkdale

TOWNSHIP 16 North

ORIGINAL



0000024066

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF
COTTONWOOD WATER WORKS, INC. FOR
APPROVAL OF THE TRANSFER OF ASSETS
AND FOR CANCELLATION OF THE
CERTIFICATE OF CONVENIENCE AND
NECESSITY

DOCKET NO. W-01045A-05-0578

**NOTICE OF FILING CERTIFICATE
OF RESOLUTION**

On August 9, 2005, Cottonwood Water Works, Inc., ("CWW" or "Company") filed an application ("Application") for approval of the transfer of assets to the City of Cottonwood ("Cottonwood") and the Town of Clarkdale ("Clarkdale"), and for cancellation of CWW's certificate of convenience and necessity. Attached to the Application as Exhibit "A" was a copy of the August 2, 2005, Asset Purchase Agreement between CWW, Cottonwood and Clarkdale. Attached hereto is a copy of the Certificate of the Secretary of CWW certifying that the shareholders of CWW approved that Asset Purchase Agreement at the Company's annual meeting held August 17, 2005,

Respectfully submitted this 18th day of August, 2005.

SNELL & WILMER L.L.P.


Deborah R. Scott

Jeffery W. Crockett

One Arizona Center

400 East Van Buren

Phoenix, Arizona 85004-2202

Attorneys for Cottonwood Water Works, Inc.

RECEIVED

2005 AUG 18 P 12:26

AZ CORP COMMISSION
DOCUMENT CONTROL

1 ORIGINAL and 13 copies of the foregoing
2 filed this 18th day of August 2005, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, AZ 85007

7 A COPY of the foregoing was hand-delivered
8 this 18th day of August 2005, to:

9 Lyn Farmer
10 Chief Administrative Law Judge
11 Hearing Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Christopher C. Kempsey, Chief Counsel
16 Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Ernest G. Johnson, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 
26

CERTIFICATE OF SECRETARY

I, Audra G. Backus, hereby certify that:

I ~~am~~ the duly elected, qualified and acting Secretary of Cottonwood Water Works, Inc. (the "Corporation").

The following resolution is a full, true ~~and~~ correct copy of a resolution duly adopted by the shareholders of the Corporation at the duly noticed Annual Meeting of the Corporation on August 17, 2005:

RESOLVED, that the shareholders of the Corporation hereby approve the Asset Purchase Agreement **among** the Corporation, the City of Cottonwood Municipal Property Corporation, the City of Cottonwood, and the Town of Clarkdale, and the transactions contemplated thereby including the sale of certain assets of the Corporation in exchange for cash in the amount of \$11,710,687, subject to adjustments.

I further certify that the above resolution is a full, true ~~and~~ correct copy of the original resolution adopted at the above-referenced meeting and entered into the minutes and **that** the resolution **has** not been amended, modified or rescinded since the date of adoption, and is ~~now~~ in full force and effect.

Dated: August 17, 2005

COTTONWOOD WATER WORKS, INC.

Audra G. Backus
Audra G. Backus, Secretary



MEMORANDUM



TO: Docket Control
Arizona Corporation Commission

2005 SEP 29 A 10: 08

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

Date: September 30, 2005

RE: STAFF REPORT FOR COTTONWOOD WATER WORKS, INC.
APPLICATION FOR APPROVAL OF THE TRANSFER OF ASSETS AND
FOR CANCELLATION OF THE CERTIFICATE OF CONVENIENCE AND
NECESSITY. (DOCKET NO. W-01045A-05-0578)

Attached is the Staff Report for Cottonwood Water Works, Inc. application for the approval of the transfer of assets and cancellation of its Certificate of Convenience and Necessity. Staff recommends approval of the transfer of assets and the cancellation of its Certificate of Convenience and Necessity.

EGJ: WPG:tdp

Originator: William Gehlen

Attachment: Original and 13 Copies

RECEIVED

SEP 29 2005

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

Service List for: Cottonwood Water Works, Inc.
Docket No. W-01045A-05-0578

Deborah R. Scott
Jeffrey W. Crockett
Snell & Wilmer
One Arizona Center
Phoenix, Arizona 85004

Charles Garrison
Cottonwood Water Works, Inc.
1042 Main Street
Cottonwood, Arizona 86526

Steven B. Horton
Mangum, Wall, Stoops & Warden
100 North Elden
Post Office Box 10
Flagstaff, Arizona 86002

Robert B. Hardy
City of Cottonwood
827 North Main Street
Cottonwood, Arizona 86326

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

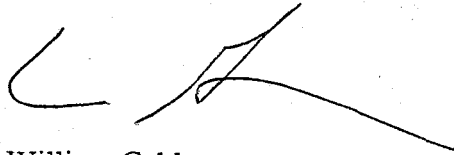
COTTONWOOD WATER WORKS, INC.
DOCKET NO. W-01045A-05-0578

APPLICATION FOR CANCELLATION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY AND TRANSFER OF ASSETS

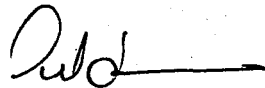
SEPTEMBER 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Cottonwood Water Works, Inc., Docket No. W-01045A-05-0578 was the responsibility of the Staff members signed below. William Gehlen was responsible for the review and analysis of the Company's application. Del Smith was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'W. Gehlen', with a long horizontal stroke extending to the right.

William Gehlen
Public Utility Analyst V

A handwritten signature in black ink, appearing to be 'Del Smith', with a long horizontal stroke extending to the right.

Del Smith
Engineering Supervisor

EXECUTIVE SUMMARY
COTTONWOOD WATER WORKS, INC.
APPLICATION FOR APPROVAL OF THE TRANSFER OF ASSETS AND FOR
CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. W-01045A-05-0578

On August 2, 2005, Cottonwood Water Works ("CWW") entered into an Asset Purchase Agreement ("Agreement") with the City of Cottonwood ("Cottonwood"), and the Town of Clarkdale ("Clarkdale") whereby Cottonwood and Clarkdale will acquire the assets of CWW.

On August 9, 2005, CWW filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval for the transfer of assets and the cancellation of its Certificate of Convenience and Necessity ("CC&N") to provide water service in a portion of Yavapai County, Arizona.

Upon execution of the Agreement CWW will no longer have any facilities, or customers to serve. Cottonwood and Clarkdale will operate the system and make system improvements that will increase fire flow in certain parts of the system that lack sufficient capability, and ensure compliance with the new arsenic standard of 10 micrograms per liter that becomes effective January 23, 2006.

Staff recommends that the Commission approve the CWW application for the transfer of assets and cancellation of its CC&N both of which will become effective upon execution of the Asset Purchase Agreement ("APA").

Staff further recommends that CWW be required to file with Docket Control notification that the APA has been signed within 30 days of the date of execution of the APA.

Staff further recommends that CWW be required to file with Docket Control notification that all customers' deposits have been credited within 60 days of the date of the execution of the APA.

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Introduction

On August 9, 2005, Cottonwood Water Works, Inc. ("CWW" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the transfer of assets to the City of Cottonwood ("Cottonwood") and the Town of Clarkdale ("Clarkdale"), and to cancel its Certificate of Convenience and Necessity ("CC&N") to provide water service in a portion of Yavapai County, Arizona.

On September 8, 2005, the application was deemed administratively complete pursuant to Arizona Revised Statutes ("A.R.S.") section 41-1074 (C).

Water System

CWW has two water systems. These systems have in existence twelve wells with a total production capacity of 3,060 gal/min, 3.2 million gallons of storage capacity, booster pumps, pressure tanks, fire flow capability and a distribution system serving approximately 4,900 connections.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the CWW systems under ADEQ Public Water System Identification (PWS ID) Nos. 13-024 and 13-025. ADEQ cannot determine if PWS ID 13-024 is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. ADEQ reported that this system has major deficiencies for Monitoring and Reporting Status. ADEQ has determined that PWS ID 13-025 is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. Staff's Engineering Report is attached as Exhibit A and provides a more complete description of these compliance issues.

Data on arsenic concentration for PWS ID 13-024 shows compliance with the new arsenic standard of 10 micrograms per liter that becomes effective January 23, 2006. Data for PWS ID 13-025 shows arsenic concentrations from several sources that exceed the new arsenic standard. Cost data included in the ADEQ Arsenic Master Plan indicates the least cost arsenic removal technology for this system would involve capital expenditures between 1.5 and 2 million dollars.

Arizona Department of Water Resources ("ADWR") Compliance

The Company is not located within an Active Management Area ("AMA") and as such is not subject to ADWR reporting and conservation rules.

Compliance

The Utilities Division database indicated there were no delinquencies for CWW.

Transaction

CWW is an Arizona public service corporation engaged in providing water utility service to approximately 4,900 customers in Yavapai County, Arizona. The Company's CC&N covers an area roughly 25 square miles in size in Townships 15 and 16 North, Range 3 East and includes Cottonwood and Clarkdale and the adjacent portions of Yavapai County. Cottonwood and Clarkdale are located approximately ten (10) miles northwest of Camp Verde along State Highway 279. Attachment B illustrates Company's CC&N area.

Cottonwood is a municipal corporation and is duly authorized by the laws of the State of Arizona, and by virtue of an election held March 13, 2001, to construct, purchase, acquire or lease any plant or property devoted to the business services rendered by a public water utility, either within or without the corporate limits of the city, as set forth in A.R.S., section 9-511.

Clarkdale is duly authorized by the State of Arizona, and by virtue of an election held on March 14, 2000, to construct, purchase, acquire or lease any plant or property devoted to the business or services rendered by a public water utility within the town limits, as set forth in A.R.S. section 9-511.

Cottonwood Municipal Property Corporation ("Cottonwood MPC") is a non-profit corporation organized under existing Arizona law, which was formed to assist Cottonwood in acquiring and financing public infrastructure and improvements, including but not limited to, financing the costs of acquisition of the privately owned water utility systems that serve residents of Cottonwood.

On August 2, 2005, CWW, Cottonwood, Cottonwood MPC and Clarkdale, executed an Asset Purchase Agreement ("Agreement") where Cottonwood and Clarkdale, through Cottonwood MPC will acquire the assets of CWW.

At properly noticed meetings, the mayors and city councils of Cottonwood and Clarkdale approved the CWW acquisition. Cottonwood and Clarkdale have determined that it is in the best interests of their citizens for this water system to be municipally owned and operated. Cottonwood and Clarkdale indicated that they will move expeditiously to insure compliance with the arsenic standard of 10 micrograms per liter by January 23, 2006. In addition, Cottonwood and Clarkdale indicated that they will enhance fire safety by increasing fire flows in areas that lack sufficient capability.

Upon completion of the asset sale, CWW will have no facilities or customers to serve.

Continuation of Service

Cottonwood and Clarkdale will assume all outstanding main extension agreements and honor as written. All existing CWW customers will continue to receive service from Cottonwood or Clarkdale.

Customer Deposits

Pursuant to the Agreement, CWW is responsible for refunding all customer deposits. CWW will refund the remaining balance for customer deposits as a credit to each customer's bill and provide documentation of same to Cottonwood and Clarkdale.

Recommendation

Staff recommends that the Commission approve Cottonwood Water Works, Inc., application for the transfer of assets and for cancellation of its CC&N both of which shall be effective upon execution of the Asset Purchase Agreement ("APA").

Staff further recommends that CWW be required to file with Docket Control notification that the APA has been signed within 30 days of the date of execution of the APA.

Staff further recommends that CWW be required to file with Docket Control notification that all customers' deposits have been credited within 60 days of the date of the execution of the APA.

MEMORANDUM

DATE: September 19, 2005

TO: William Gehlen

FROM: Del Smith *DS*

RE: Application of Cottonwood Water Works, Inc. for approval of the transfer of assets and cancellation of Certificate of Convenience and Necessity (Docket No. W- 01045A-05-0578)

Introduction

Cottonwood Water Works, Inc. ("CWW" or "the Company") has applied to transfer its assets and cancel its Certificate of Convenience and Necessity ("CC&N"). Under the proposal the Company's assets would be transferred to the City of Cottonwood ("Cottonwood") and the Town of Clarkdale ("Clarkdale"). The Company's CC&N covers an area roughly 25 square miles in size in Townships 15 and 16 North, Range 3 East and includes Cottonwood and Clarkdale. Cottonwood and Clarkdale are located approximately ten (10) miles northwest of Camp Verde along State Highway 279.

CWW Systems

CWW has two water systems. These two systems have in existence twelve wells with a total production capacity of 3,060 gal/min, 3.2 million gallons of storage capacity, booster pumps, pressure tanks, fire flow capability and a distribution system serving approximately 4,900 connections.¹ CWW has entered into an agreement whereby Cottonwood and Clarkdale will purchase these systems. CWW will no longer have any facilities or customers to serve.² Cottonwood and Clarkdale will make system improvements that will increase fire flow in certain parts of these systems that currently lack sufficient capability.³

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the CWW water systems under ADEQ Public Water System Identification (PWS ID) Nos. 13-024 and 13-025. ADEQ cannot determine if PWS ID 13-024 is currently delivering water that meets the water quality

¹ Information reported in Company's 2004 Commission Annual Report (*See Water Company Plant Description*).

² Application at Page 5, Paragraph XVII.

³ Application at Page 3, Paragraph XII.

standards required by Arizona Administrative Code, Title 18, Chapter 4.⁴ ADEQ reported that this system has major deficiencies for Monitoring and Reporting Status. ADEQ has determined that PWS ID 13-025 is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.⁵

Data on arsenic concentration for PWS ID 13-024 shows compliance with the new arsenic standard of 10 micrograms per liter that becomes effective January 23, 2006. Data for PWS ID 13-025 shows arsenic concentrations from several sources that exceed the new arsenic standard.⁶ Cost data included in the ADEQ Arsenic Master Plan indicates that the least cost arsenic removal technology for this system would involve capital expenditures between 1.5 and 2 million dollars. Cottonwood and Clarkdale will expeditiously and effectively move to reduce the level of arsenic in their water supplies to levels that meet the new arsenic standard.⁷

Arizona Department of Water Resources ("ADWR") Compliance

CWW is not within any Active Management Area, and consequently is not subject to ADWR reporting and conservation rules.

ACC Compliance

A check of the Utilities Division compliance database indicated that there were no delinquencies for CWW.⁸

Conclusions

1. CWW has entered into an agreement whereby Cottonwood and Clarkdale will purchase these systems. CWW will no longer have any facilities or customers to serve.
2. Cottonwood and Clarkdale will make system improvements that will increase fire flow in certain parts of these systems that currently lack sufficient capability.

⁴ ADEQ Drinking Water Compliance Status Report dated 8-30-05.

⁵ ADEQ Drinking Water Compliance Status Report dated 8-20-04.

⁶ Based on information reported in Company's 2004 Commission Annual Report and contained in the ADEQ Arsenic Master Plan.


⁷ Application at Page 3, Paragraph XI.


⁸ Per Compliance Section email dated 9-19-05.

3. ADEQ cannot determine if PWS ID 13-024 is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
4. Data for PWS ID 13-025 shows arsenic concentrations from several sources that exceed the new arsenic standard.
5. Cottonwood and Clarkdale will expeditiously and effectively move to reduce the level of arsenic in their water supplies to levels that meet the new arsenic standard.

MEMORANDUM

TO: William Gehlen
Public Utilities Analyst V
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: September 19, 2005

RE: **COTTONWOOD WATER WORKS, INC. (DOCKET NO. W-01045A-05-0578)**

Cottonwood has filed an application to cancel their CC#N. Their area will be served by City of Cottonwood and Town of Clarkdale.

Attached are copies of the maps for your files.

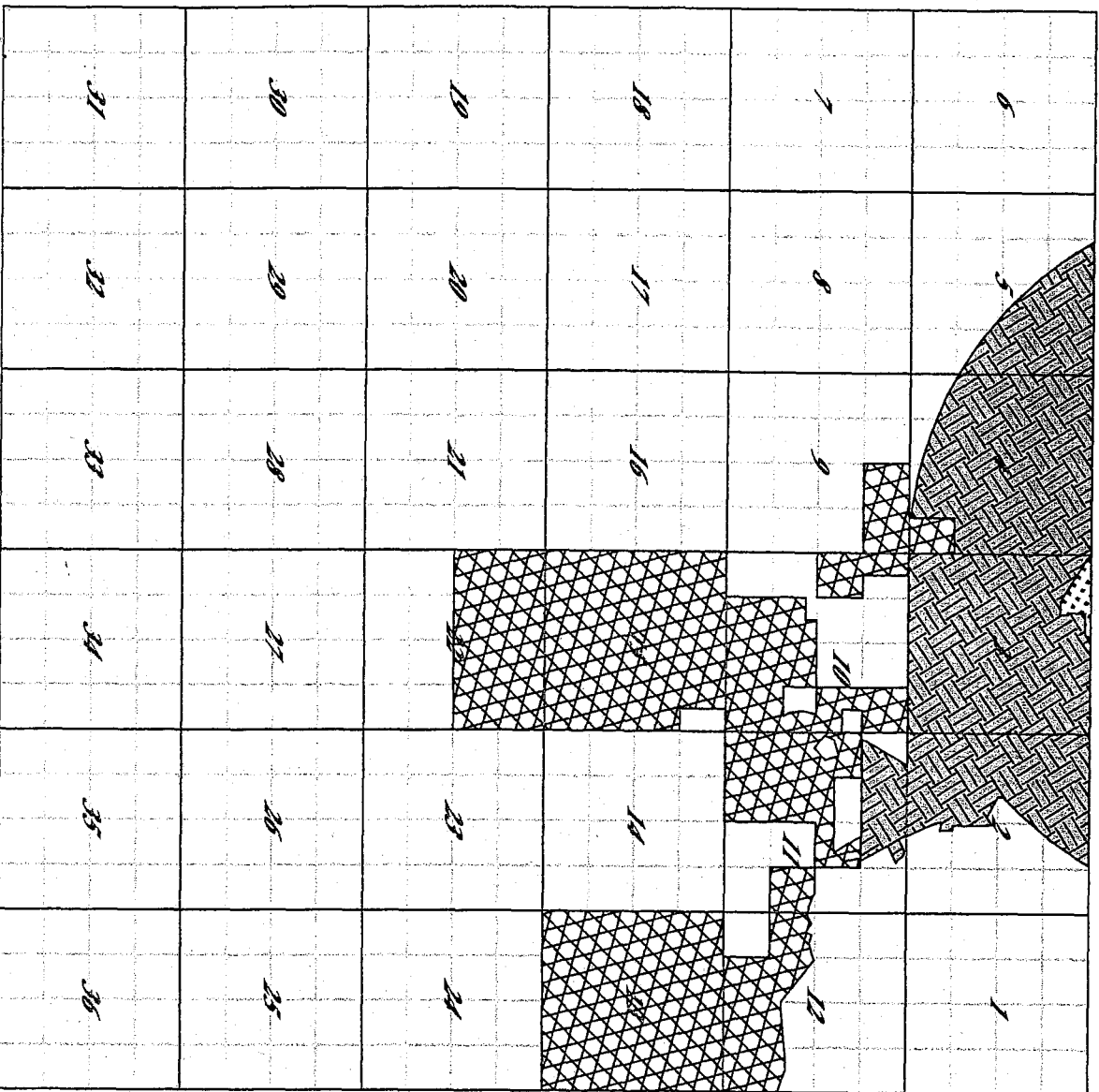
:bsw

Attachments

cc: Docket Control
Ms. Deborah Scott
Ms. Deb Person (Hand Carried)
File

COUNTY: Yavapai

RANGE 3 East

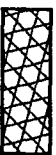


TOWNSHIP 15 North



W-1278 (2)

Clemenceau Water Company



W-2060 (3)

Cordes Lakes Water Company (Verde Village)



W-1045 (2)

Cottonwood Water Works, Inc.

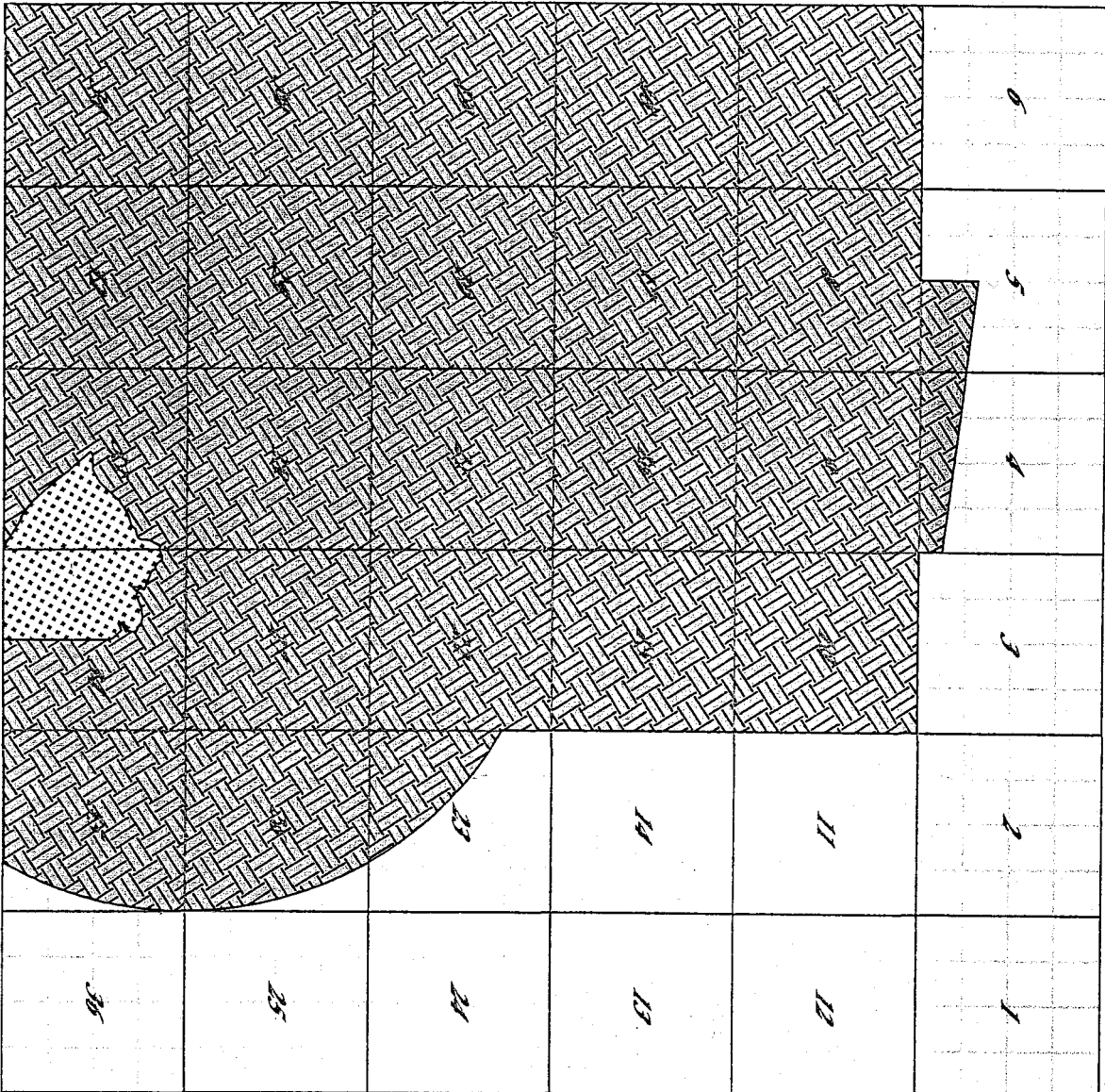


(2)

Cottonwood Water Works, Inc.
Docket No. W-01045A-05-0578
Application to Cancel C&N - to
City of Cottonwood and Town of Clarkdale

COUNTY of Yavapai

RANGE 3 East



W-1278 (2)

Clemenceau Water Company



W-1045 (2)

Cottonwood Water Works, Inc.



(2)

Cottonwood Water Works, Inc.
Docket No. W-01045A-05-0578
Application to Cancel CC&N - to
City of Cottonwood and Town of Clarkdale

TOWNSHIP 16 North

Arizona Department of Environmental Quality
Water Quality Compliance Assurance Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007



Drinking Water Compliance Status Report

Public Water System Name: Cottonwood Water Works

Public Water System ID #: 13-025

Overall Compliance Status: ☒ No Major Deficiencies ☐ Major Deficiencies

Monitoring and Reporting Status: ☒ No Major Deficiencies ☐ Major Deficiencies

Comments:

Operation and Maintenance Status: ☒ No Major Deficiencies ☐ Major Deficiencies

Comments:

Major unresolved/ongoing operation and maintenance deficiencies:

- | | |
|---|---|
| <input type="checkbox"/> unable to maintain 20psi | <input type="checkbox"/> inadequate storage |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies | <input type="checkbox"/> approval of construction |
| <input type="checkbox"/> certified operator | <input type="checkbox"/> other |

Date of last inspection / sanitary survey: 6-18-03

Administrative Orders:

Is an ADEQ administrative order in effect? ☐ Yes ☒ No

Comments:

System information:

Number of Points of Entry 8 Number of Sources 10 Population Served 4300

Service Connections 2814 Initial Monitoring Year 1994 Initial MAP Year 2000

Evaluation completed by: Jim Puckett

Phone: 602-771-4649 Date: 8-20-04

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.

Arizona Department of Environmental Quality
Water Quality Compliance Assurance Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: Cottonwood Water Works

Public Water System ID #: 13-024

Public Water System Type: ☒ CO ☐ Non-transient Non-community ☐ Transient Non-community

Overall Compliance Status: ☐ No Major Deficiencies ☒ Major Deficiencies

Monitoring and Reporting Status: ☐ No Major Deficiencies ☒ Major Deficiencies

Comments:

The ADEQ data base does not show that the required monthly Maximum Residual Disinfection Levels (MRDLs) have been done for this water system.

The ADEQ data base does not show that the required annual Disinfection Byproducts (DBP) analysis have been done for this water system.

Operation and Maintenance Status: ☒ No Major Deficiencies ☐ Major Deficiencies

Comments:

Major unresolved/ongoing operation and maintenance deficiencies:

- | | |
|---|---|
| <input type="checkbox"/> unable to maintain 20psi | <input type="checkbox"/> inadequate storage |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies | <input type="checkbox"/> approval of construction |
| <input type="checkbox"/> certified operator | <input type="checkbox"/> other |

Date of last inspection / sanitary survey: 6-18-03

Administrative Orders:

Is an ADEQ administrative order in effect? ☐ Yes ☒ No

Comments:

System information:

Number of Points of Entry 2 Number of Sources 3 Population Served 2480

Service Connections 1134 Initial Monitoring Year 1994 Initial MAP Year 2000

Evaluation completed by: Jim Puckett

Phone: 602-771-4649 **Date:** 8-30-05

Because of the previously identified compliance monitoring deficiencies, ADEQ cannot determine if this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.